FINANCIAL TIMES

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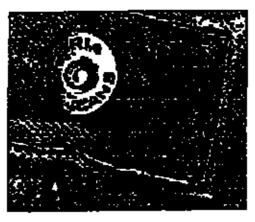
TUESDAY MARCH 2 1999

Corporate reporting
Time to scrap annual reports
Peter Martin, Page 14

Nuclear power
Will the globe warm to a hated technology?
Page 15



Russia's Gloria Jeans
'Our competitors are not very happy with us'
Page 3

South Lebanon
Why the Israelis are being thrashed
Page 4

ECB may resist rate cut calls

Analysts cite money supply figures and euro's weakness

By Tony Barber in Frankfurt and Peter Norman in Milan

The prospects for a cut in European interest rates appeared to recede yesterday after the European Central Bank published figures showing that money supply growth in the euro-zone had risen faster than the bank wanted.

While the ECB's reference value over three months is 4.5 per cent, annual growth in M3 money supply rose to 4.9 per cent over the quarter to January from 4.7 per cent in the three months to December.

Annual M3 growth in January alone rose to 5.7 per cent from 4.5 per cent in December.

Economists said the rise in M3 growth, coupled with the euro's 7 per cent fall against the US dollar since its launch in January, made it less likely that the ECB's governing council would cut interest rates when it meets in Frankfurt on Thursday.

The latest money supply figures will be greeted with dismay in Washington and Bonn. US government leaders have been arguing in increasingly emphatic terms for policies to stimulate demand in the euro-zone. And the Social Democrat-led government of Germany, whose economy contracted in the final quarter of last year and which has 4m people unemployed, has complained about the ECB's reluctance to cut the main euro-zone refinancing rate from 3 per cent.

European socialist leaders, meeting at a congress in Milan yesterday, voiced widespread disenchantment with the policies of the ECB which has left interest rates unchanged since December despite lower inflation and growing concern about economic slowdown.

António Guterres, the Portuguese prime minister, said Europe needed a monetary policy friendly to employment and growth. Emilio Gabaglio of the European Trade Union Congress said "a battle was being waged" to prove to the ECB that unemployment was not simply a structural problem.

In the latest sign of German economic weakness, the nation's engineering association VDMA reported that plant and machinery orders had fallen in January by an annual rate of 16 per cent. But the ECB is anxious to set monetary policy in an atmosphere free from political pressure and insists that interest rate cuts would not cure the deeper problems besetting the German economy. "Interest rates are at their lowest level since the second world war," Wim Duisenberg, ECB president, told the Spanish newspaper El Mundo. "Our perspective is based on the euro-zone and not just Germany."

The ECB is likely to have been particularly concerned that private credit growth in the euro-zone rose to an annual 10.5 per cent in January from 9.1 per cent in December. The ECB has said credit growth needs to be "carefully monitored". High wage settlements in Germany, averaging 3 to 4 per cent against an inflation rate of 0.2 per cent, were another factor arguing against a rate cut, economists said.

Euro-zone government bond markets, meanwhile, fell sharply and yields rose. The yield on 10-year German government bonds, or bunds, rose to 4.09 per cent from 4 per cent at the end of last week, while the price of the bonds fell by nearly 0.75 points.

The trend was accelerated by more signs that the US economy continues to grow, which prompted a sell-off in the US treasury bond market. In early afternoon trading the 30-year long bond was down 1$\frac{1}{32}$, pushing the yield up to 5.673 per cent.

Bank mulls case for cut, Page 2
Bonds, Page 26; Currencies, Page 27

WORLD NEWS

Blair to beat the drum for US-style enterprise culture

Tony Blair, the British prime minister, will today urge European socialist leaders to adopt the "culture of enterprise" promoted by US President Bill Clinton, warning them that the "euro cannot succeed without economic reform". His address in Milan may offend fellow government heads, while signalling to the UK that his newly increased enthusiasm for the euro will be accompanied by pressure for deregulation of the euro-zone. **Europe, Page 3**

Italy claims stability 'on track' Carlo Azeglio Ciampi, Italy's Treasury minister, said his country's budget stabilisation programme was on track after it posted a deficit that was 2.7 per cent of gross domestic product in 1998. **Europe, Page 2**

Banks in Russian debt crisis talks Banks representing owners of up to $15bn of defaulted Russian bonds were in crisis talks expected to end with the removal of Deutsche Bank as head of the group negotiating restructuring terms with the Russian government. **Europe, Page 2**

Attacks 'may herald Kurdish terror' A spate of attacks in Turkish cities could herald the start of a terrorism campaign by supporters of Abdullah Ocalan, the leader of the PKK Kurdish guerrilla group who was captured by Turkish forces last month. **Europe, Page 2**

Beijing acts to boost Internet China is encouraging millions more people to connect to the internet by halving the charges on data transmission lines and offering free installation of a second telephone line in homes. **Asia-Pacific, Page 8**

India cuts interest rates India's central bank has cut interest rates sharply in what was seen as a co-ordinated response to Saturday's tax-raising budget. **Asia-Pacific, Page 8**

Indonesia forms anti-riot force Indonesia's military chief formed a new anti-riot force, just as his troops killed at least 10 people in an attempt to halt another round of communal clashes. **Asia-Pacific, Page 8**

US tax service comes under attack The Internal Revenue Service, the US tax collection agency, has been condemned by the General Accounting Office, the investigative arm of Congress, for failing to provide reliable financial statements. **US and Canada, Page 6**

Rocket ready for maiden voyage A prototype rocket, the Roton C-9, intended to revolutionise the commercialisation of space, is getting ready for its maiden voyage in California. The rocket is expected to be in operation some time next year. **US and Canada, Page 6**

Search for WTO head draws blank The search for a new head of the World Trade Organisation appears to have reached an impasse, raising fears of an interregnum when Renato Ruggiero, the present director-general, steps aside next month. **World Trade, Page 7**

BUSINESS NEWS

BNP threatens to boycott sale of Crédit Lyonnais

Banque Nationale de Paris, France's third largest bank, signalled it was unlikely to participate in the privatisation of Crédit Lyonnais unless the terms of the sale allowed it to play a leading role. **Companies and Markets, Page 17**

Danisco, the Danish food products and packaging company, has announced plans to create the world's largest food ingredients group by acquiring Cultor, its Finnish rival, for DKr9.5bn ($1.4bn). **International companies, Page 21**

Telecom Italia and Olivetti shares rose in a falling market following the clearance by Italy's stock market regulator of Olivetti's €53bn ($59bn) hostile bid for the telecommunications group. **European companies, Page 19**

Renault, the French carmaker, unveiled a 63 per cent rise in annual profits but indicated a downturn in operating margins this year. **European companies, Page 19; Lex, Page 16**

AssiDomän, the troubled Swedish forestry products group, has announced the departure of its chief executive following a sharp fall in profits and a bungled expansion strategy. **International companies, Page 22**

Allied Domecq, the world's second largest spirits group, is working towards a demerger that could lead to a separate listing for its leisure and retailing division. **UK companies, Page 24**

Fujitsu, the Japanese software and services company, warned that sales and profits would be lower than projected due to weak domestic sales. **Companies and Markets, Page 17; Lex, Page 16; NTT warns of 26% fall in profits, Page 18**

General Electric Company of the UK moved to underline its credentials as a telecommunications company with the $2.1bn acquisition of Reltec Corp, a US networking products group. **Companies and Markets, Page 17; Lex, Page 16**

The Bank of Scotland is to team up with Pat Robertson, the US television evangelist, to launch a direct banking operation in the US. **Companies and Markets, Page 17; Lex, Page 23**

Aetna, the largest US health insurer, may be facing a costly federal class action lawsuit brought by men denied insurance coverage for Viagra, the anti-impotence drug. **US, Page 6**

Ionian Bank, the Greek bank due to be privatised this month, reported a strong rise in pre-tax profits to Dr12.6bn ($43m). **European companies, Page 19**

Novartis, the Swiss pharmaceuticals group, has been fined by Japanese tax authorities for under-reporting its income. **Asia-Pacific, Page 8**

Euro Prices
A comprehensive statistical guide to the euro currency zone, covering foreign exchange, bond and equity markets. Page 25

HARD-HITTING TALKS FAIL TO RESOLVE MAJOR DIVISIONS ON TAIWAN AND BEIJING'S HUMAN RIGHTS RECORD

US and China clash over Asia missile shield

By James Kynge in Beijing

The US warned China yesterday that it must improve relations with Taiwan and work harder to prevent North Korea from developing long-range missiles if it wants to avoid the deployment of a US-backed missile defence shield in Asia.

Madeleine Albright, US secretary of state, made the comments during meetings with Chinese leaders marked by acrimonious disagreements over Beijing's human rights record and little progress on an array of issues.

The prospect that Washington might deploy a theatre missile defence (TMD) system in Asia, possibly including Taiwan, has drawn fierce opposition from Beijing, which says that TMD would mean the start of a cold war policy of containment against China.

The issue has the potential further to sour China's already tense relationship with Taiwan, its rival since 1949.

Lee Teng-hui, Taiwan's president, told the Financial Times that his government was interested in a US-led TMD shield to protect itself against a reported Chinese build-up of missiles.

A Pentagon document, released last Friday, stated that Beijing had been boosting missile forces aimed at intimidating Taiwan.

Ms Albright stressed that no decision had been taken to deploy TMD in Asia and such a deployment would depend on China's behaviour.

"Concern about ballistic missiles in the region is real," James Rubin, state department spokesman, said after Ms Albright met Zhu Rongji, the Chinese prime minister, and Tang Jiaxuan, the foreign minister, in Beijing. "If China wants to avoid a situation where that concern grows, then it should work with the US to prevent North Korea from advancing its missile programme."

China should also work on improving relations with Taiwan to persuade Taipei it did not need such a system, Mr Rubin added.

The US had hoped that China, which is probably the only country able to bring some pressure to bear on the secretive North Korean government, would co-operate more closely with Washington on efforts to persuade Pyongyang to stall its missile development programme.

The test firing of a North Korean missile into the sea near Japan last year rang alarm bells in Tokyo and strengthened the case for a TMD shield in Asia.

Ms Albright said that discussions yesterday on North Korea were "quite constructive". But in general, the lack of progress on a number of issues suggested that a scheduled visit by Mr Zhu to the US in April might achieve little of substance.

On China's negotiations to enter the World Trade Organisation, Mr Rubin said there had been some positive indications but "there is a long way to go".

He added that the dialogue on China's human rights record ranked at the "high end of tough exchanges". Ms Albright said that recent abuses, such as the detention and sentencing of pro-democracy activists in China, were deplorable.

Mr Rubin said that the US was keeping open the option of putting forward a motion to censure Beijing over human rights at the United Nations in Geneva.

Mr Tang warned that human rights were no excuse for "wantonly interfering" in China's internal affairs. "A handful of anti-China elements within the US are going all out to interfere with and obstruct the normal development of China-US relations," he said.

Editorial Comment, Page 15

US secretary of state Madeleine Albright at a press briefing in Beijing. Her meetings with Chinese leaders were marked by disagreements Reuters

Iran signs $1bn oil deal with Elf and Eni

By Robert Corzine in London, Robin Allen in Tehran and David Owen in Paris

The opening of Iran's oil sector to foreign investment took another step forward yesterday when Tehran signed a deal worth nearly $1bn with Elf Aquitaine of France and Eni of Italy to refurbish the Doroud offshore field, near Kharg Island in the Gulf.

However, the agreement is a blow to US attempts to restrict large-scale foreign investment in Iran's strategic petroleum industry. It also provides a financial boost to the government of President Mohammad Khatami, which is facing a budget deficit this fiscal year of $5bn because of the collapse in world oil prices.

Elf and Eni will spend $540m to raise Doroud's output by 90,000 barrels a day, to a plateau production rate of 220,000 b/d by 2003, by drilling wells and installing water and gas injection to improve reservoir recovery. It will boost Doroud's recoverable reserves from 600m barrels to 1.5bn barrels.

Under the "buy-back" contract, the capital provided by the two companies will be repaid through the sale of a portion of the increased crude output, plus a rate of return thought to be in excess of 15 per cent. The value of the 10-year deal is estimated at $998m, including charges and remuneration to Elf and Eni.

Iranian officials are assessing dozens of proposals from foreign oil companies keen to take part in more than 40 projects.

The Middle East Economic Survey newsletter yesterday said that more than 30 foreign companies from 18 countries in Europe, Asia, Latin America and the US had submitted proposals, although the US ones – said to have come mainly from Arco of Los Angeles – depend on sanctions being lifted by Washington.

Although Elf has "exchanged views" with US officials about its involvement in Iran, the company said Washington had no right to restrict the commercial activities of a European company. European governments and the European Union have advised European oil companies operating in Iran to ignore Washington's Iran/Libya Sanctions Act. Ilsa is intended to deter foreign energy investments in those countries by threatening to punish their US operations.

BP Amoco and Royal Dutch/Shell, Europe's biggest oil groups with interests in the US, have so far been reluctant to make a definitive move in Iran.

$5bn target for investment, Page 7

WORLD MARKETS

STOCK MARKET INDICES		
New York: Lunchtime		
Dow Jones Ind Av	9281.31	(-25.27)
NASDAQ Composite	2287.25	(-0.78)
Europe and Far East		
CAC40	4032.05	(-60.89)
DAX	4784.31	(-127.50)
FTSE 100	6060.9	(-114.2)
FTSE Eurotop 300	120	(-14.75)
Nikkei	14221.75	(-145.79)
US Lunchtime RATES		
Federal Funds	5.25%	
3-mth Treas Bills: Yld	4.71%	
Long Bond	94$\frac{1}{16}$	
Yield	5.57%	
OTHER RATES		
UK: 3-mo Interbank	5$\frac{13}{32}$%	(5$\frac{7}{16}$%)
UK: 10 yr Gilt	109.55	(110.17)
Euro Euribor	3.094	(3.098)
Germany: 10 yr Bund	97.22	(97.79)
Japan: 10 yr JGB	99.85	(99.311)
NORTH SEA OIL (Argus)		
Brent Dated	10.29\frac{1}{2}$	(10.435)

GOLD		
New York Comex	$288.9	(287.5)
London	$285.85	(286.95
DOLLAR		
New York: Lunchtime		
£	1.6113	
€	0.9161	
SFr	1.4613	
Y	119.775	
London:		
£	1.6078	(1.602)
€	0.9146	(0.9110)
SFr	1.4558	(1.4491)
Y	119.425	(118.65)
Tokyo Close		Y 119.15
EURO (London)		
$	1.0934	(1.0978)
£	0.68	(0.6853)
Y	130.573	(130.248)
SFr	1.5917	(1.5907)

Euro-zone target price €2.15. Prices in local currency as shown

Bahrain	Din1.300	Iceland	IKr265	Oman	OR1.75
Belgium	BFr90 (€2.23)	Italy	L3900 (€2.01)	Poland	Zl 10.00
CIS	US$4.00	Jordan	JD1.75	Portugal	Esc320 (€1.60)
Croatia	Kn19.00	Kuwait	KWD0.750	Qatar	QR13.00
Denmark	Dkr16.00	Latvia	Ls1.65	South Africa	R16
Estonia	EKr34.00	Lithuania	Lit21.00	Spain	Pta325 (€1.95)
Finland	Fmk13.00 (€2.19)	Lebanon	LBP3.500	Sweden	SKr20.00
France	FFr14.00 (€2.13)	Luxembourg	LFr90 (€2.23)	Switzerland	SFr3.50
Gibraltar	£0.85	Morocco	Dh18.00	Syria	S£80.00
Greece	Dr500	Netherlands	Fl 4.80 (€2.18)	Tunisia	Din2.000
Hungary	Ft380	Norway	NKr19.00	UAE	Dh13.00

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CONTENTS

Banks in crisis talks over Russian debt

By Vincent Boland and Arkady Ostrovsky in London

Banks representing owners of up to $15bn of defaulted Russian bonds were last night in crisis talks expected to end with the removal of Deutsche Bank as head of the group negotiating restructuring terms with the Russian government.

The talks highlighted disarray in the negotiating group and deep splits among the banks after Deutsche Bank unilaterally accepted restructuring terms, which could amount to as little as 2.5 per cent of the face value of the bonds before Russia devalued the rouble last August.

Deutsche Bank accepted the terms on Friday for its own holdings of banks, but not for those of its clients, and Chase Manhattan followed suit yesterday. The move enraged other members of the 19-bank group, which has been in often bitter talks with the government since it defaulted on the debt.

Prices of Russia's international bonds have fallen by almost 18 per cent in the past two weeks as fears grew that the bonds would be restructured as part of a wider reorganisation of the country's debt burden.

Russia's terms are believed to include allowing foreign banks to use proceeds of the restructuring to invest in bonds convertible into shares of Lukoil and Gazprom, the country's two most valuable companies.

Deutsche Bank was understood to be ready to step aside "if asked" at the meeting while insisting that it had received no favourable treatment from Russia for agreeing to the terms. But its role as head of the London Club committee of commercial creditors owed $30bn in Soviet-era debt was also expected to be raised at the meeting.

Although the two types of debt are not directly linked, some banks and investors said allowing Russia to restructure the GKO debt on its own terms would set a precedent and weaken the banks' positions in other debt negotiations.

The split leaves the negotiating group in tatters and represents a victory, at least in the short term, for Russia. It has also revealed a deep split between commercial banks with long-term ambitions in the Russian market and investment banks.

Credit Suisse First Boston, vice-chair of the group and its leading hardliner along with Nomura, is understood to have lost heavily since the onset of Russia's financial collapse. It has cut back sharply on staff numbers in Moscow, where until recently it had by far the biggest presence of any western investment bank.

Observers suggested Deutsche Bank's willingness to accept Russia's terms was merely an acceptance of financial reality. "Russia simply has not got the money to pay back GKO investors in full," said one western banking analyst. "Nor should it make repayment a priority. Some people cannot accept that they have made an error of judgement." Russia has foreign currency reserves of only $11.4bn.

Following their acceptance of Russia's terms for the bonds in their own accounts, Deutsche Bank and Chase are expected to write their investments off. Neither bank would reveal yesterday how much was involved.

Capital Markets, Page 26

Lafontaine shrugs off tax threats

By Ralph Atkins in Bonn and Uta Harnischfeger in Frankfurt

Oskar Lafontaine, Germany's finance minister, yesterday launched a robust defence of his controversial tax package, insisting threats by industry to transfer operations abroad were "not credible and will not have the desired effect".

His comments followed a fierce reaction from business over tax proposals currently before parliament. Allianz, Europe's largest insurer, and RWE, the energy and industry group, have said they may move activities outside Germany as a consequence.

Veba, the Düsseldorf-based energy based conglomerate, yesterday added to the protests, saying the reforms would cost it DM5bn (€2.6bn, $2.8bn) in coming years.

Mr Lafontaine, who is also chairman of the ruling Social Democratic party, said his tax reforms were central to the centre-left government's programme. Workers and families would be left better off, but companies that had "benefited substantially" from transferring profits overseas or from generous depreciation rules would have to pay more. "Big companies, with their huge profits, are required to make their contribution" to state finances, he said.

The finance minister is under increasing pressure following industry's rejection of his tax plans. He wants a broadened tax base, something also sought by the previous government of former chancellor Helmut Kohl. But while the parliamentary finance committee yesterday agreed changes, increasing the net "give-away" in 2002 from the DM15bn originally planned to DM30bn, individuals will benefit most from lower tax rates, and Mr Lafontaine has resisted a significant "give-away" for industry.

Veba said its additional costs would arise from plans to raise taxes on reserves against claims and catastrophes, which have so far been tax free. It said it would shoulder roughly a fourth of the additional DM20bn tax burden faced by the entire utility industry. "We have to start saving massively as a reaction to the tax reform, which will affect our investments and our jobs," it said.

The dispute over tax has created distance between Mr Lafontaine and Gerhard Schröder, the chancellor, who last week made clear future reforms – particularly corporation tax changes planned for next year – would be drawn up in close consultation with industry.

Insurers will on Wednesday meet Mr Schröder to discuss proposals to lift the tax burden on the sector.

Separately, Mr Lafontaine faced criticism from opposition parties after signalling at the weekend a greater willingness by the SPD to co-operate with the Party of Democratic Socialism, successor to East Germany's Communists.

Italy claims budget stability on track

By James Blitz in Rome

Carlo Azeglio Ciampi, Italy's Treasury minister, yesterday claimed his country's budget stabilisation programme was on track after it posted a deficit that was 2.7 per cent of gross domestic product in 1998.

After a year in which Italy suffered one of the most sluggish economic performances in the European Union, the budget deficit narrowly missed the 2.6 per cent target, which Mr Ciampi had set.

The consolation for the government was that the deficit figure posted yesterday showed no deterioration on the figure for 1997, also 2.7 per cent.

Istat, the national statistical institute, reported that Italy's economy grew by 1.4 per cent last year, well below the 2.5 per cent figure the government originally forecast.

The disappointing growth performance meant the Treasury had lower tax receipts than expected last year, ensuring the deficit target would be missed.

However, Mr Ciampi insisted that tough stewardship of public finances had ensured only a marginal slip in the deficit figure, given that growth came in more than a percentage point below expectations.

Italy's debt to GDP ratio – the item that causes the most concern to the country's partners in the euro – dropped from 122.4 per cent in 1997 to 118.7 per cent last year. The disappointing economic performance meant that the debt, which in value terms rose by more than L30,000bn (€15.5bn, $17bn) in the year to October 1998, came in half a percentage point of GDP higher than Mr Ciampi had hoped.

The biggest deviation from Italy's stabilisation plan was in the primary surplus – the difference between revenue and spending, excluding the Treasury's interest payments on the debt.

Italy had pledged to its European partners that it would keep a primary surplus of 5.5 per cent of GDP as part of its pledge to maintain downward pressure on spending. But the primary surplus last year was 4.9 per cent of GDP, underlining the fact that Italy has managed to keep its deficit under control because of the favourable downward cycle in interest rates.

Moscow could face legal action

By John Mason in London

The Russian government may face threats of international legal action over its $15bn GKO debt-rescheduling crisis if the 19-bank committee representing investors collapses in disagreement.

The threat of legal action over Russia's default on its short-term domestic securities debt has so far been considered purely as a negotiating tactic by the committee.

However, last week's split in the committee, caused by Deutsche Bank accepting Russia's latest settlement terms, may increase the prospect of such threats being turned into reality.

Such moves are likely to come from the most hawkish of banks and investors trying to retrieve their money. Others have indicated no wish to try the legal route.

The importance of the legal aspect of the case was emphasised by a legal opinion from international lawyers that the chances of investors recovering money through legal action might be better than first supposed.

The opinion provided to the committee suggests investors in the UK, France, Germany and the Netherlands – between 40 and 60 per cent of all those involved – are protected by international rather than Russian law.

Investors could, at least theoretically, recoup far more money than currently offered. The latest terms, accepted by both Deutsche Bank and Chase Manhattan, would see investors recovering just 2.5 per cent of their money. Under international obligations, lawyers believe investors are entitled to compensation of some 60 per cent.

Bankers who commissioned the opinion say the crucial conclusion reached by the panel of international lawyers is that the manner of the Russian default last August amounted to deliberate expropriation, rather than a normal default.

The Russian government and central bank suspended trading in GKOs, imposed a moratorium on some foreign currency operations and floated the rouble, which led to its collapse.

There are strong grounds for arguing these measures amounted to expropriation, since investors were deprived of the use and control of their investments, the lawyers said. If this is true, Russia would be liable under the treaties to pay compensation.

Investors could also insist that any compensation should be paid in dollars rather than roubles, the lawyers suggest. Compensation should be paid according to the market value of the securities before August 17 last year – some 60 per cent of the original value.

To take legal action, investors would refer the case to international arbitration.

The lawyers made no judgment on whether the Russian government would pay compensation if ordered to do so.

States normally honour such compensation payments but there are no guarantees, they argued.

Some bankers say if Russia failed to honour such awards, effective enforcement might be achieved through confiscating its commercial assets such as the proceeds of future privatisations or bond issues.

But other bankers are less hopeful and say the chances of recovering the money would be slight.

ATTACKS IN TURKEY FEAR OF PKK GROWS

Violence 'may herald Kurdish terror drive'

By Leyla Boulton in Ankara

A spate of attacks in Turkish cities could herald the start of a terrorism campaign by supporters of Abdullah Ocalan, the leader of the PKK Kurdish guerrilla group who was captured by Turkish forces last month, analysts said yesterday.

In the worst attack, 17 people were injured after a hand grenade was thrown into an Istanbul coffee shop on Sunday night. The attackers have not been identified. Three people were killed earlier last week in an attack on a cafe in the south-eastern town of Genc, while other attacks in the city of Istanbul, Izmir on the west coast and Bursa, 80km south of Istanbul, damaged property.

The violence follows a call by the PKK, which is seeking autonomy for the Kurds in Turkey, for armed attacks by its militants following the capture of Mr Ocalan in Nairobi two weeks ago. He is being held in Turkey on treason charges and is likely to face trial later this month.

Analysts said attacks were easiest to carry out in big cities such as Istanbul, which has large communities of Kurdish refugees from Turkey's south-east region. The south-east has been home to a 15-year war by the PKK against government forces, which say they have all but defeated the group on the battlefield.

"As a terrorist organisation the PKK has got a very [strong] capability," said one western analyst. "Although people are right to point out you cannot confuse the PKK with Kurds, for every 1,000 Kurds you are going to get single or double figures of PKK sympathisers and it is an easy thing to mobilise them."

Umit Ozdag of Gazi University in Ankara said the PKK was no longer strong enough to put up a convincing fight against the military in rural areas.

But this made it more likely instead to attack urban areas. However, Prof Ozdag said the PKK was likely to try to minimise casualties to avoid alienating its supporters in western Europe. Attacking high-ranking Turkish officials was not a serious option because they were well protected, he said.

The attacks coincided with the promise yesterday by Bulent Ecevit, the Turkish prime minister, of $115m in state investment to speed up economic development in the south-east over the next two years.

He initially promised the "production, investment and employment" offensive to win over disgruntled Kurds in the area following Mr Ocalan's capture. But yesterday was the first time Mr Ecevit gave any details of the proposals. He is expected next week to kick off his campaign for the April general election in Diyarbakir, the biggest city in the region.

A Kurdish boy kissing a portrait of Abdullah Ocalan, the rebel leader, as he and other Kurds rally outside the US embassy in Moscow yesterday to protest at Turkey's arrest of Ocalan AP

Bank mulls case for cut in rates

ECB watch

By Wolfgang Münchau in Frankfurt

Judging by the smoke signals from several of Europe's central bank chiefs, the governing council of the European Central Bank is expected to leave the benchmark short-term interest rate unchanged at 3.0 per cent at its meeting on Thursday. If so it will be seen by many as the ECB's first serious policy error.

Several reasons have been cited for not cutting rates at present. Monetarists point to recent growth in M3 money supply, which has increased by 4.9 per cent over a three-month average – above the ECB target of 4.5 per cent. Others express concern about the possible inflationary impact of the 4.2 per cent wage settlement reached last month in the German engineering industry.

Some central bankers oppose a rate cut for political reasons, not wanting to be seen to be compromising their independence, for example, by seemingly giving in to Oskar Lafontaine, the German finance minister, who has called on the ECB to cut rates. Prof Paul Krugman of the Massachusetts Institute of Technology commented in Germany's *Capital* magazine this month that "even if Mr Lafontaine proposed coffee for breakfast", the ECB would reject the suggestion as an assault on its independence.

In fact, the interaction between politicians and central bankers has become a serious problem for the conduct of economic policy in the euro-zone.

Prof Krugman says the ECB is correct about the need for a tight fiscal policy and labour market reform, while Mr Lafontaine is right to call for lower interest rates. But the two sides seem unable to reconcile the options.

Wim Duisenberg, president of the ECB, said as much when describing the meetings of the Euro-11, the regular gatherings of the euro-zone finance ministers, in which he participates.

"I have the inclination to talk a little bit more about fiscal developments than most ministers do, and ministers have the inclination to talk a little bit more about monetary developments than the president of the central bank does," he said at a hearing of the European Parliament in January.

The main arguments in favour of a rate cut are the persistent decline in annual inflation in the euro-zone – 0.8 per cent in December – and the dismal economic performance of Italy and Germany, which account for about half the euro-zone's economy.

German growth became negative in the fourth quarter of 1998, while inflation is heading towards zero. The country's annual rate was 0.2 per cent in January, a potential measurement error – estimated at up to 0.75 per cent – could point to a deflationary trend.

Real short-term interest rates, which are adjusted for expectations of future inflation, are about 2.5 per cent in the euro-zone. Real interest rates, however, are not homogenous across the region.

They are higher in low-inflation countries, such as Germany, and lower in relatively high inflation economies, such as Ireland.

The ECB regularly maintains that interest rates in the euro-zone are low both in terms of historical rates and international comparisons. That may be true for nominal interest rates, but it is only partially true for real interest rates. For example, US real interest rates during the recession in the early 1990s were zero.

The ECB argues that euro-zone inflation, rather than German inflation, should be the benchmark. This is correct in terms of the law, but ignores the fact that Germany is as likely to drag down growth in the rest of the euro-zone as the euro-zone is to push up Germany up to its level.

Until now nobody expected the ECB to cut interest rates. So soon after the successful launch of the euro, such a move would have been viewed as premature.

But the honeymoon is over. Since its launch in January, the euro has declined against the dollar by over 6 per cent as the markets have become increasingly pessimistic about economic growth prospects in the euro-zone.

Whatever the ECB does on Thursday, it will face criticism. Since central bankers have been known to give out misleading signals, a rate cut cannot be ruled out. But the chances are the ECB will be criticised for failing to act rather than for acting prematurely.

Economic indicators for euro-11 countries

	Dec 1998	Nov 1998	Oct 98	Sep 98	Aug 98	Jul 98	97	96
Inflation (annual % change)	0.8	0.9	1.0	1.0	1.2	1.4	1.6†	2.2†
Unemployment (%)	10.8	10.8	10.8	10.9	11.0	11.0	11.6	11.6
Trade (Ecu bn)								
Exports	n.a.	66.0	68.7	65.6	56.2	72.6	760.8	667.7
Imports	n.a.	59.5	61.4	60.4	49.7	58.9	671.4	594.2
Trade balance	n.a.	6.5	7.2	5.2	6.4	13.6	89.4	73.5

Current account (Ecu bn)	Q3 1998	Q2 98	Q1 98	Q4 97	Q3 97
Current account balance	21.8	25.0	12.4	28.6	26.0
As % of GDP	1.5	1.7	0.9	2.0	1.9

Industrial production (%) (3 mo over previous 3 mo)	Oct-Dec/ Jul-Sep	Sep-Nov/ Jun-Aug	Aug-Oct/ May-Jul	Jul-Sep/ Apr-Jun	1997	1996
	-0.3	0.0	0.1	0.2	4.1††	0.0††
GDP growth (%)	Q3 1998	Q2 98	Q1 98	Q4 97	97	96
Over same quarter last year	2.7	2.9	3.7	3.1	2.5	1.6

Money supply	Dec 1998	Nov 1998	Oct 98	Sep 98	Aug 98	Jul 98
M3 Annual growth rate (%)	4.5	4.7	5.0	4.5	4.5	5.0

* Provisional ** Estimated † Estimated due to Ireland, for which quarterly index numbers for 1995 and 1996 were used to estimate the monthly ones
†† Annual % change
Source: Eurostat

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NEWS DIGEST

RUSSIAN CRISIS

Berezovsky attacks government on economy

Boris Berezovsky, the Russian business tycoon, yesterday condemned the government for its growing authoritarianism and inability to tackle the country's economic crisis. Mr Berezovsky said he had several "ideological differences" with the Communist-influenced government. "The chief difference is a signal failure of this government to understand liberal values, economic and political freedoms. And that is why I repeat I do not think this government can find a way out for Russia in this difficult situation," he said.

As the self-styled leader of a group of oligarchs who previously wielded enormous influence over President Boris Yeltsin's administration, Mr Berezovsky has been at the centre of controversy in recent weeks. Mr Primakov has made clear that he wants to disentangle the state from business and crack down on corruption.

Federal prosecutors have recently launched investigations into several companies connected with Mr Berezovsky, including the Aeroflot airline, the Sibneft oil company and the Avtovaz car plant.

But Mr Berezovsky has alleged that the FSB, the successor to the KGB, has been plotting to incriminate – even assassinate – him. **John Thornhill, Moscow**

ROMANIAN BANK

Bancorex under administration

Romania's central bank yesterday placed Bancorex, the country's biggest state bank, under administration. The move came as the government increased petrol taxes by 46 per cent in the country's latest efforts to meet International Monetary Fund and World Bank conditions for granting new loans.

Romania risks defaulting on this year's foreign debt service payments of some $2.5bn, of which $1.6bn stem from state or state-guaranteed loans, if Bucharest fails to sign loan accords with the Fund and the Bank. Official foreign reserves, excluding gold, stand at $1.6bn.

The IMF says Romania has made "solid progress" on economic reforms in recent months, and that Bucharest's formal request for a standby loan would be "considered" by the Fund's executive board in June.

Bancorex was placed under central bank administration as a run by depositors yesterday entered its fifth day. The run was triggered last week after the central bank injected 2,500bn lei ($196m) into Bancorex after the bank's entire management resigned over disagreements with the World Bank on a rescue plan. Some 70 per cent of Bancorex loans are non-performing. **Joe Cook, Bucharest**

ANTI-WESTERN SENTIMENT

Serbs attack Kosovo monitors

Two international monitors in Kosovo were attacked by a Serb crowd yesterday in a further sign of growing anti-western sentiment in the divided Serbian province.

A Briton and a Dane were attacked in the southern town of Prizren. The incident began with a group of children throwing snowballs at the monitors. After a brief argument, a number of adults arrived and beat the two. They were not seriously injured, although one sustained a cracked tooth.

Anti-western sentiment has been growing because of Nato threats to bomb strategic targets in Serbia unless the Serbs sign a peace agreement for the future of Kosovo and allow a Nato force to police the deal. The Serbs have rejected the terms of the deal. The province's ethnic Albanians, who form 90 per cent of the province's population, are seeking independence from Serbia.

Nato has built up a force of troops, tanks and equipment in neighbouring Macedonia in advance of a possible peacekeeping mission in Kosovo.

Kosovo's Albanian rebels yesterday acknowledged killing a Serb civilian but released another after mediation by international observers from the Organisation for Security and Co-operation in Europe. **Reuters**

Delay on farm policy reform talks agreed

By Robert Graham in Paris

European Union governments yesterday reluctantly acceded to French requests for a postponement of negotiations on the reform of farm policy to allow time for talks between Paris and Bonn to overcome their differences.

"The gap in positions is still very big," Jean Glavany, French agriculture minister, said yesterday before the delay was agreed.

Talks between agriculture ministers were due to resume today in Brussels after last week's abortive marathon session, but the meeting has been postponed at least until Thursday. France had sought the delay to allow more time for common ground with Germany, which is chairing the talks.

France has found itself isolated from virtually all the other 14 EU members in a vigorous defence of its powerful agricultural lobby.

Mr Glavany said that if today's meeting had gone ahead he would have presented a memorandum with some new ideas to his fellow EU ministers. This document is now likely to be held back pending a series of bilateral talks, notably with the Germans.

Paris is insisting the German presidency accept the principle that any deal on reform of the Common Agricultural Policy (CAP) must be directly linked to the broader talks on restructuring of EU finances, the so-called "Agenda 2000". Until now the German presidency has sought to separate the agriculture *dossier* as the most contentious.

"There will be no agreement on the CAP, just as there will be no global agreement on Agenda 2000 unless the French and German positions come closer," Mr Glavany said.

He conceded that his relationship with his German counterpart was "a bit" difficult, highlighting the continued problems Paris is having in setting up a proper dialogue with the new German government.

He was speaking against the backdrop of the annual international agricultural show in Paris, where he and his staff have moved their offices for the week to underscore the political importance of French agriculture.

The Socialist-led French government of Lionel Jospin has *rejected Commission* proposals, backed by Germany, to reduce farm spending by shifting part of the burden on to national budgets. France is also opposed to any change in the current regime of milk quotas.

Officials were suggesting yesterday it could prove impossible to establish a new negotiating base this week. Mr Glavany has said several weeks might be needed. Such a delay would interfere with German plans to wind up talks on Agenda 2000 by the end of March.

Editorial comment, Page 15

Russian who dreams of seeing Cossacks clad in denim

Jeans may be losing their popularity in the west but to a deprived area of the former Soviet Union they have brought freedom and opportunity, writes John Thornhill

The idea of Cossacks wearing jeans seems about as likely as cowboys eating caviar. But Vladimir Melnikov, who hails from the Cossack heartlands of Rostov-on-Don in southern Russia, is determined to clothe his compatriots in denim.

"Jeans are the symbol of the 20th century," says the 50-year-old entrepreneur, enthusing about their associations with freedom, frontiers and informality. "Besides no one made them here before so there was little competition," he adds, rather more pragmatically.

Mr Melnikov's company, Gloria Jeans, is an all-too-rare example of a successful manufacturing enterprise in a country still racked by economic crisis. Last year his private company turned out 2.1m items of denim clothing including trousers, shirts and coats. He aims to lift production to 5m pieces this year.

Boosted by the effects of *the rouble devaluation*, which has significantly lowered the company's costs in dollar terms, Gloria is even preparing to export its jeans to Germany. It has already clinched a trial order for 22,000 pieces, which could expand to 500,000.

"We are now working in an absolutely new environment following the devaluation," says Mr Melnikov. "We can sell our jeans for as little as Rbs145 ($6.5). That is the lowest price for a quality product to be found anywhere in the world. Our competitors are not very happy with us."

The impulsive, grey-haired businessman, who sports a sharp pin-striped business suit, buzzes with ideas as he is driven through Rostov's snow-clogged streets in his white Chrysler automatic. He plainly relishes a challenge: even at the age of 12 he was earning money by catching fish in the Don river and undercutting shop prices.

Such "anti-Communist" activities were later to attract the attention of the KGB, who imprisoned him for black market trading.

"I did nothing bad. But they called me a speculator *and threw me in jail*," he says. "It is bad to steal. It is bad to swindle. But all that I did is permitted in the Bible. Everyone has a right to private property."

Mr Melnikov was released from prison under an amnesty proclaimed by Mikhail Gorbachev, the Soviet leader at the time. He celebrated his freedom by founding Gloria and manufacturing jeans. In 1992 he owned just two sewing machines but he amassed enough capital to buy the "half-dead" state-owned Novoshakhtinsk Sewing Factory No. 6 in a nearby coal mining town.

The one-time social outlaw has been transformed into something of a local hero as he battles to revive Novoshakhtinsk's depressed economy. The unemployment rate among the town's 100,000 residents soared to more than 40 per cent following the closure of several unprofitable pits.

Gloria has rapidly expanded production and now employs 2,000, mostly female, workers who feverishly stitch together jeans to earn themselves a bonus. Although they complain that the average wage is only Rbs1,000 a month, they *praise Mr Melnikov for paying* them in full and on time – unlike most other local enterprises.

'Before our boss was the state. Now we have a new boss – the market. We choose our styles and designs but the risks have also increased. If we work badly, we earn bad wages'

Taisa Gbozdenko, head of the design department, says both the working practices and the age profile of the factory have been transformed since Mr Melnikov arrived. Previously, a Moscow ministry dictated what clothes and designs should be produced and in what quantity. But now the company's employees, who average just 27 years of age, are responsible for all such decisions.

"Before our boss was the state. But now we have a new boss – the market. We ourselves choose our styles and designs but the risks have also increased. If we work badly, we earn bad wages," says Ms Gbozdenko.

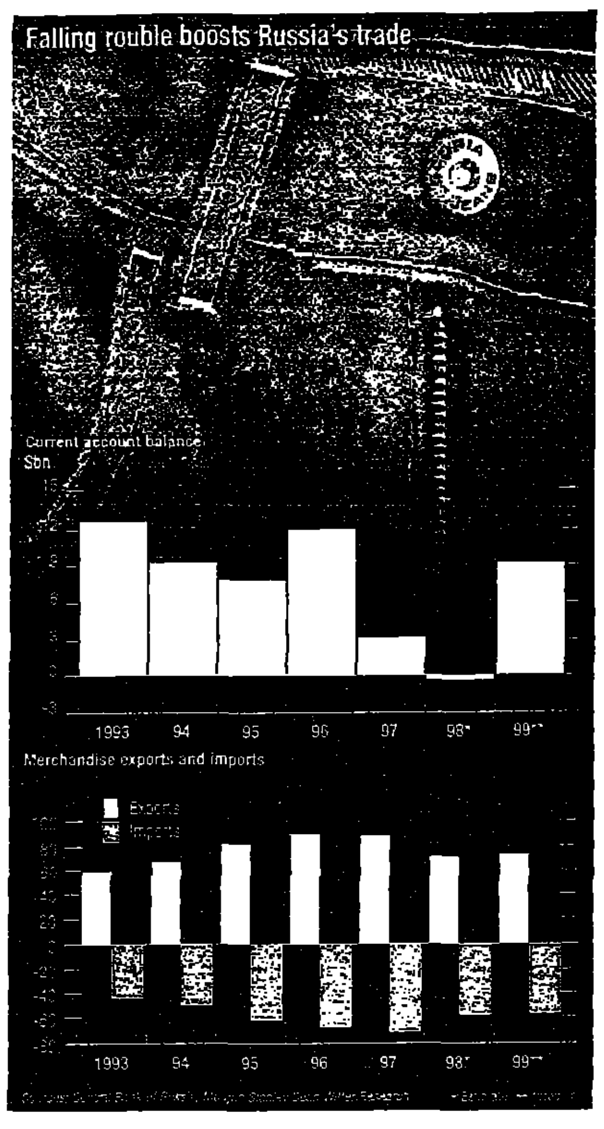
Russia's economic crisis has brought many domestic manufacturers a second lease of life as imports have collapsed in the wake of the rouble's devaluation.

Mr Melnikov says Gloria must use this breathing space to position itself firmly at the cheaper end of the market while at the same time it should try to improve quality.

"Our turnover was $18m last year but we have set ourselves new goals. We want to reach a turnover of $100m within three to four years," he says, observing that textile magnates have often formed the first generation of capitalists in many countries, including England, South Korea and pre-revolutionary Russia.

Like all Russian companies struggling to overcome the country's economic slump, Gloria Jeans has to deal with an alarming amount of bureaucratic and financial problems.

Mr Melnikov protests that foreign suppliers also provide shoddy service because they are dismissive of Russian producers.



Moreover, he faces the universal managerial challenge of turning a one-man entrepreneurial business into a more systematic, professionally run company.

Recognising the need for change, he has already hired a handful of Turkish, Italian and British managers to introduce best business practices from abroad.

But Mr Melnikov is ultimately placing his trust in a new generation of young and instinctively capitalist Russian managers, including his daughter, Alina, who works in Gloria's planning department.

With a wry grin, he finally reverts to communist rather than capitalist rhetoric: "The cadres decide all."

Blair to speak up for 'culture of enterprise'

By Robert Peston in London and Peter Norman in Milan

Tony Blair, the British prime minister, will today urge European socialist leaders to adopt the "culture of enterprise" promoted by US President Bill Clinton, warning them that the "euro cannot succeed without economic reform".

His address, on the second and final day of a congress in Milan of European Socialists and Social Democrats, may offend fellow government heads, while signalling to the UK that his newly increased enthusiasm for the euro will be accompanied by pressure for deregulation of the euro-zone.

At the congress, which began yesterday, socialist leaders have called for the European Union to float eurobonds as a way of financing increased investment in infrastructure and innovation to create more jobs.

Mr Blair will also challenge the presumption among many euro-zone socialists that the traditional "European social model" of high social protection is superior to the more *laisser faire* approach of the US. The centre-left in Europe should therefore embrace a "real dialogue" with Mr Clinton and his deputy, Al Gore.

Mr Blair's spokesman said he would call for a "modernised European social model" that eschewed "regulation and high taxes". He is also expected to cite a Financial Times survey of European business groups as evidence that the EU must drop any thought of harmonising corporation taxes.

This risks dissension at the congress. It is likely to be interpreted as a direct criticism of Oskar Lafontaine, the German finance minister and SPD leader, who has been pushing for an erosion of the national veto over EU tax decisions.

Mr Blair plans to lecture him and other EU government heads, including Lionel Jospin of France and Gerhard Schröder of Germany, that they must "face facts". Their commitment to "social cohesion" may be laudable but "high unemployment is not social cohesion".

Mr Blair will also endorse an employment strategy for the European social group, which points to the advantages of monetary union in promoting growth, using the US experience as evidence.

Urging that growth and employment be put at the centre of closely co-ordinated national and European policies, Antonio Guterres, the Portuguese prime minister, said yesterday that innovative forms of finance should be part of a new mix of macro-economic and structural policies to tackle Europe's jobless total of more than 15m.

Mr Guterres, asked in January by the *Socialist* and Social Democrat leaders of 10 other EU countries to devise strategies to combat unemployment, said public spending must be restructured to increase its investment component.

European fiscal policy, he said, could play an increasing role in strengthening investments in innovation by small and medium-sized companies, in trans-European transport networks, in research and development, education training and pilot programmes on employment policy.

Mr Guterres called for spending by the EU's structural funds to be complemented through operations of the European Investment Bank and its affiliate, the European Investment Fund. In a paper approved by other leaders yesterday, he said "new ways need to be considered to convert private savings into investment" and that the "role and viability of eurobonds should be seriously considered by European institutions".

Similar ideas were floated last year by Mr Jospin and Romano Prodi, then prime minister of Italy.

Mr Guterres said there would be no need to change EU regulations to allow the issue of eurobonds. They would play a "relatively incremental" role in EU finances and would not undermine the stability and growth pact which polices the deficits of individual member states.

The idea of EU borrowing on international capital markets was taken up with enthusiasm by other senior left of centre figures. Costas Simitis, the Greek prime minister, said bonds should be used to finance the trans-European network.

Private funds compete to sell pensions to Poles

By Christopher Bobinski in Warsaw

Poland's pension reform began in earnest yesterday as a sales force numbering tens of thousands moved out to sell private schemes to a general public prepared by a barrage of publicity on television, radio and the newspapers.

The race for clients is on between new private pension funds set up under the reform, modelled on Latin American schemes. These funds are to be handed a 40 per cent share of people's state-administered pension contributions.

In the past, the state used all pension contributions to pay current pensioners. No money was invested. The new system will allow 40 per cent of contributiuons to be invested by private funds and will be compulsory for Poles aged 18-30, optional for those aged 31-50 and unavailable to those over 50.

Most of the new fund managers are joint ventures between big western insurers or banks such as Citibank working with local financial institutions. In all 8m Poles are initially expected to be covered by the new scheme.

The scheme is designed to produce savings for employers who will from now on pay only half of the high 45 per cent pension contribution. The other half is to be paid by employees. In the past the entire sum was paid by employers. The reform will also provide a much needed increase in the rate of savings in the economy.

Yesterday Boguslaw Kott, the head of the BIG Bank Gdanski which has established Ego, a *joint venture* with Eureko, an alliance of insurers from European countries, said he expected a maximum of 10 funds to win up to 90 per cent of the market.

Ego estimates a 10 per cent market share would give the fund about $100m to invest in the first year of operations.

● Hanna Gronkiewicz-Waltz, *the head of Poland's* central bank, yesterday denied the economy was in recession and rebutted calls from the opposition as well as the right wing of the government for reflationary economic policies.

She said she expected gross domestic product to grow by between 4 and 4.5 per cent in 1999.

This would be a good result compared with an expected decline in GDP in the Czech Republic and predictions of growth of under 2 per cent in the European Union.

Last year Poland registered 4.8 per cent growth.

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Israeli cabinet divided over Lebanon strategy

By Judy Dempsey in Jerusalem and James Schofield in Tyre, southern Lebanon

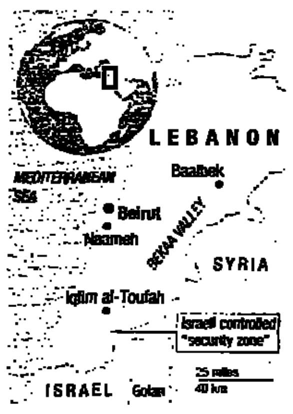
The Israeli security cabinet yesterday said it was prepared to continue the fighting "against the terrorist groups" in Lebanon amid growing disagreement within the cabinet over future strategy.

But with two months before elections, government officials said Benjamin Netanyahu, Israeli prime minister, wants to prevent any escalation of the fighting, believing it would damage his re-election chances.

As Israel considered its options, a five-nation committee of US, French, Lebanese, Israeli and Syrian representatives was today expected to hold a meeting in southern Lebanon today to avert any escalation and use diplomacy to ease tension.

A spokesman for Salim al-Hoss, Lebanon's prime minister, said Mr Hoss had telephoned the foreign ministers of Syria and France – and the US State Department to arrange the meeting. In Syria, President Hafez al-Assad telephoned President Emile Lahoud, his Lebanese counterpart. Syria is the power broker in Lebanon where it has 35,000 troops and links any Israeli withdrawal from southern Lebanon to Israel's return of the Golan Heights which it captured from Syria during the 1967 Six Day War.

A statement issued after the Israeli cabinet meeting said: "Israel will determine the timing as to when to attack Hizbollah targets." The tone, however, was less bellicose than Sunday night when Mr Netanyahu said he would launch sea, air and ground attacks against the Hizbollah after the movement killed three Israeli soldiers, including the commander of an elite paratrooper commando unit.



The Shia Islamist Hizbollah movement has been fighting a guerrilla war to force Israel out of a part of southern Lebanon to where Israel withdrew in 1985 after invading the country in 1982.

The five-nation committee expected to meet today was set up at the end of Israel's last major incursion into Lebanon in April 1996, when its forces launched a 17-day air, artillery and naval bombardment that killed more than 200 Lebanese civilians. Its remit is to ensure Israel and Hizbollah comply with an agreement not to fire on or from civilian positions.

Since then, 319 Israeli soldiers have been killed, 162 of them since mid-1996, when Mr Netanyahu was elected prime minister. Israeli military sources said neither the international community nor domestic public opinion would accept a full-scale attack on Lebanon in a bid to destroy the military infrastructure of Hizbollah. A recent opinion poll showed that 63 per cent of those polled believe Mr Netanyahu was not doing enough to resolve the conflict. An official added: "If we went in on such a large scale, how would we get out? We've been there before."

A senior government official said the cabinet, for the moment, yesterday agreed to try to prevent any escalation. But within the cabinet, he said, there were sharp disagreements.

Moshe Arens, defence minister, supports attacking Lebanon's infrastructure and Syrian bases. Avigdor Kahalani, public security minister, yesterday said Israel must force Lebanon to change its policy. If that proved impossible, Israel must withdraw unilaterally.

Ariel Sharon, foreign minister, who as defence minister led Israel into Lebanon in 1982, recently called for a unilateral withdrawal, which Mr Netanyahu last year suggested, but with the condition that Lebanon meets Israel's security needs on its northern border.

A guerrilla of the Lebanese Shia Moslem Amal movement mans an anti-aircraft gun near the Israeli border. The Israeli cabinet yesterday agreed to try to avoid escalating the conflict AP

Hizbollah sharpens up its tactics

Israel can no longer look upon the Lebanese Shi'ite Islamist movement as just 'ragamuffin suicide bombers'

By David Gardner, Middle East Editor

Intelligence is a commodity in which Israel has long believed, not without reason, that it had a ruthless edge sharp enough to outmanoeuvre all its adversaries. It has come as a real shock to learn that Hizbollah – the Lebanese Shi'ite Islamist movement long disdained by Israelis as ragamuffin suicide bombers from the slums of south Beirut – has developed an intelligence capacity which can outsmart Israel's finest.

This was made brutally clear on Sunday when Hizbollah guerrillas ambushed a convoy ferrying Brigadier-General Erez Gerstein through the "security zone" Israel has occupied in south Lebanon since 1978.

Gen Gerstein, in charge of liaison with the South Lebanon Army (SLA), Israel's mercenary force in south Lebanon, was the most senior officer killed on Israel's northern battle-front since the full-scale Israeli invasion of Lebanon in 1982.

But Hizbollah's ability to identify and attack vital Israeli occupation targets has been evident since roughly October 1995. It was then that the Israeli Defence Forces (IDF) began noticing a qualitative change in the Shi'ite movement's tactics – in particular its ability to anticipate the movements of senior Israeli intelligence officers and elite units.

This was not because the guerrillas had acquired better weapons. Nor was there any change in the motivation of Hizbollah volunteers, who between 1982 and 1985 had forced Israel's invasion force to retreat from Beirut to the southern buffer under attrition spearheaded by suicide bombers. It was primarily because the "Party of God" had immeasurably improved its intelligence gathering.

It acquired this capacity not only because it was fighting on home soil – the treacherous mountains and ravines of Shi'ite southern Lebanon – but because it had penetrated the crumbling SLA.

Israel originally built this force out of a predominantly Christian faction of the Lebanese army which had disintegrated during the 1975-90 civil war. It then enticed local Shi'ite volunteers with substantial salaries in an occupation zone which offered almost no alternative employment.

But successive Israeli offensives after the retreat of 1985 failed to dent Hizbollah, which grew into a popular social movement and legitimate resistance organisation commanding support across the sectarian spectrum of Lebanon.

Along with military stalemate in Lebanon, the prospect of regional peace also eroded the morale of the SLA. Dim though this prospect now is, nobody in south Lebanon has forgotten the lynchings of Israeli collaborators that accompanied the IDF's retreat in 1985.

As the SLA's ability to police the buffer diminished and its members turned to collaboration with Hizbollah, IDF units were thrust into the front line, and have been sustaining growing casualties.

From June 1985, when Israel finalised its withdrawal to the "security zone" to June 1996, the IDF lost 159 men in Lebanon; from mid-1996 to today it has lost 162.

These bald figures, however, are inadequate to express the wounded pride of the legendary IDF at this rare defeat by Arab arms, which has led former senior officers to question the wisdom of Israel's involvement in "the Lebanese quagmire". Whereas in the past, Israeli commandos used to hit targets in Lebanon with ease – including Sheikh Abbas Musawi, the former Hizbollah chief they assassinated in 1992 – many of its recent ventures north of the "security zone" have been fiascos. Inside the zone itself, the IDF is often pinned down in fixed positions, and no amount of air superiority can compensate for this weakness on the ground.

In this kind of conflict, many Israelis believe their vaunted regional power is that of a giant with feet of clay. This sentiment, along with popular disquiet at the growing casualties, is fuelling calls for a unilateral withdrawal from Lebanon.

Eitan Haber, a former aide to Yitzhak Rabin, the late Israeli prime minister, summed up this sense of powerlessness in yesterday's Yediot Aharanot newspaper.

"We, whose arsenal is full of atom bombs, who extricated the hostages at Entebbe [airport], who snatched radar systems from under the noses of drowsy Egyptians, who killed terrorist chiefs in their beds [in Beirut] with soldiers dressed as women, and we – we have no solution?" he asked, concluding: "There is none. We have tried everything in Lebanon."

Evidence of fraud grows in Nigeria poll

By William Wallis in Lagos

Evidence of fraud and manipulation in Nigeria's presidential election mounted yesterday as Olusegun Obasanjo, Nigeria's ex-military ruler, was formally declared the winner.

In a sign that Nigeria may be deprived of the clean beginning it needs to consolidate the transition from military to civilian rule, the losing candidate, ex-finance minister Olu Falae, said he he would challenge the result in court.

Mr Falae went on, however, to call for the formation of a national unity government which would include members of the two losing parties who supported him. In Nigeria's past, disputed elections have resulted in violence. This time the rigging appears to have been carried out by all sides. Moreover, the margin of victory, together with the popular desire to see an end to 15 years of military rule on the scheduled handover date of May 29, seems likely to outweigh concerns over the vote's fairness, especially if the winning side is prepared to compromise with a trade-off in ministerial posts.

Final results announced by the independent electoral commission gave Gen Obasanjo 18m votes to Chief Falae's 11m.

The recorded turnout was between 50 and 70 per cent, or as much as twice that of the 1993 election which was aborted by the military.

Given that in many parts of the country observers considered the turnout modest, there can be little doubt that there were a great number of stuffed ballot boxes. "There was a wide disparity between the number of voters observed at the polling stations and the result that has been reported from several states. Regrettably therefore it is not possible for us to make an accurate judgment about the outcome of the presidential election," former US President Jimmy Carter, who heads an American delegation, said in a message delivered to the electoral commission.

The Transition Monitoring Group, which groups together 63 Nigerian human rights and civil society NGOs, went further: "The presidential election recorded a far higher incidence of electoral malpractices than previous elections," it said.

Gen Obasanjo has the backing of the northern military and political establishments who might prove most dangerous to him if they were not on his side. It is in his own south-western region, which voted massively against him and backed fellow Yoruba, Chief Falae, that he will have most difficulties.

Race against failure, Page 14; Editorial comment, Page 15

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January 1998

LOEWE

Loewe Opta GmbH

Management Buy-Out

Loewe Opta GmbH has been acquired by Loewe Holding GmbH.

The management holds a stake of 60% in Loewe Holding GmbH and **3i Group plc** together with 3i managed funds hold a further 40% stake.

Senior and mezzanine debt facilities for the acquisition financing

We acted as Arranger

October 1998

WOOLWORTH

Deutsche Woolworth GmbH & Co. OHG

Management Buy-Out

Senior debt facilities to finance the acquisition of Deutsche Woolworth GmbH & Co. OHG

We acted as Arranger

Equity led by
Electra Fleming

February 1999

CINEMEDIA

CineMedia Film Aktiengesellschaft Geyer-Werke

Initial Public Offering and placement of 1,550,000 common shares for a total issuing volume of EUR 38.75 m on the Neuer Markt

Lead Manager
Bookrunner

February 1999

INTERTAINMENT

Intertainment Aktiengesellschaft

Initial Public Offering and placement of 1,212,000 common shares for a total issuing volume of EUR 43.6 m on the Neuer Markt

Lead Manager
Bookrunner

August 1998

Polybox

Polybox Group Polybox S.p.A.

Leveraged Buy-Out

ITL 206,000,000,000
Senior Secured Acquisition Facilities

We acted as Co-Arranger and Sub-Underwriter

Equity arranged and provided by
B&S Electra and Electra Fleming

October 1998

UFA

UFA Theater GmbH

Recapitalisation/ Expansion Financing

DEM 245,000,000
Senior debt facilities

We acted as Arranger

Equity underwritten by Founders, Management and Investment Pools who were advised by
Apax Partners & Co. and Pricoa Capital Group.

October 1998

GARDA

Cartiere del Garda S.p.A

Leveraged Buy-Out

ITL 785,000,000,000
Senior Secured Acquisition and Refinancing Facilities

We acted as Co-Lead-Arranger and Sub-Underwriter

Equity arranged by
CVC Capital Partners Europe

September 1998

Lintec

Initial Public Offering and placement of 480,000 common shares for a total issuing volume of DEM 33.6 m on the Neuer Markt

Lead Manager
Bookrunner

August 1998

Gaz Liquéfiés Industrie

Leveraged Buy-Out

Senior and mezzanine debt facilities for the acquisition financing

We acted as Co-Arranger

Equity arranged and provided by
NatWest Equity Partners and Electra Fleming & Associés

August 1998

TEMCO

Textilmaschinenkomponenten GmbH & Co. KG

Management Buy-Out

3i Group plc/3i Europartners II LP and the management acquired a 100% stake in Temco Holding.

DEM 44,500,000
Senior and mezzanine debt facilities to finance this acquisition.

We acted as Arranger

July 1998

SoftM

SoftM

Initial Public Offering and placement of 521,600 common shares for a total issuing volume of DEM 32.3 m on the Neuer Markt

Lead Manager
Bookrunner

May 1998

AUGUSTA

Augusta Beteiligungs-AG

Initial Public Offering and placement of 2,000,000 common shares for a total issuing volume of EUR 130.0 m on the Neuer Markt

Lead Manager
Bookrunner

April 1998

transtec

transtec

Initial Public Offering and placement of 1,130,000 common shares for a total issuing volume of DEM 80.2 m on the Neuer Markt

Lead Manager
Bookrunner

March 1998

SIRONA

SIRONA GROUP

Management Buy-In

DEM 281,000,000

Senior debt facilities to finance the acquisition of Sirona Group

We acted as Co-Arranger

The investor group was advised by
Schroder Ventures

January 1998

FiberMark
FiberMark Gessner

FiberMark Gessner GmbH & Co.

has been acquired by
FiberMark Inc.
Brattleboro, VT, USA

DEM 84,000,000
Credit facilities

We acted as Arranger

Selected transactions

HypoVereinsbank

This announcement appears as a matter of record only.

ANTITRUST CHARGES CHIPMAKER ARGUES IN LEGAL BRIEF THAT IT DOES NOT HAVE 'MONOPOLY POWER'

Intel denies conduct choked competition

By Louise Kehoe in San Francisco and Richard Wolffe in Washington

Intel, the world's largest chipmaker, yesterday said in a legal brief filed prior to its trial on antitrust charges, that "not one single microprocessor sale by a competitor" had been lost because of its alleged conduct.

The complaint against Intel, filed by the Federal Trade Commission, is to be argued before an administrative law judge in hearings scheduled to begin in Washington next week.

At the centre of the case is the FTC's claim that Intel has stalled innovation in the microprocessor market by abusing its market power. Intel holds an approximately 80 per cent share of the world market for microprocessors used in personal computers.

In particular, Intel is alleged to have withheld access to advance information about future microprocessor products from three customers – Intergraph, Compaq Computer and Digital Equipment – when it became involved in legal disputes with each of them.

"Simply competing on the merits was insufficient for Intel," the FTC said in its pre-trial brief, which was also released yesterday. "The company instead chose to exploit its monopoly to gain access to the innovative technology of others in order to maintain its market dominance."

The FTC is accusing Intel of coercing its major customers into granting access to their own new technology. Antitrust officials said Intel had forced its customers to license their technology to Intel by threatening to deny them Intel product information and advance samples of microprocessors. "Because product information and samples were critical to their core business, Intel's victims had no choice but to accede to its demands," the FTC said.

"In effect, Intel established its own privately-administered compulsory licence regime by which it can acquire at reduced cost any technology that it perceives to be a competitive threat."

However, Intel said in its legal brief that the FTC had failed to provide any evidence that its actions had an adverse effect on competition.

Even the government's own economic expert, Frederic Scherer, had admitted there was no evidence of any harm to innovation or competition, Intel argued, using parts of Mr Sherer's deposition to back up its point.

Intel also presented statements from several other microprocessor manufacturers including IBM, Digital Equipment (now part of Compaq Computer), Motorola, Sun Microsystems and National Semiconductor.

It said the evidence was "overwhelming" that competition was thriving in the microprocessor market. Despite its strong market position, Intel argued that it did not hold "monopoly power" as defined by the US courts, because it was unable to "control prices or exclude competition".

Intel also said that an FTC proposal that it be forced to license its intellectual property to potential competitors was not supported by the law.

Mandatory licensing would "threaten every significant technology firm that has undertaken any kind of cooperative activity with customers or third parties," Intel concluded.

Tight security for trial of Cuban dissidents

By Pascal Fletcher in Havana

Cuban authorities yesterday clamped a security stranglehold on the trial of four leading dissidents, rounding up and detaining supporters and sympathisers and barring foreign diplomats and journalists from attending.

The trial of Martha Beatriz Roque, Félix Bonne, René Gómez and Vladimiro Roca, who have been in jail for more than 19 months, opened in a west Havana courtroom cordoned off by crash barriers and guarded by uniformed police and plainclothes security officers.

The case of the four, who are charged with sedition, is widely viewed by many foreign governments as a key test of whether Cuba's communist leadership is willing to tolerate any domestic political opposition, however peaceful.

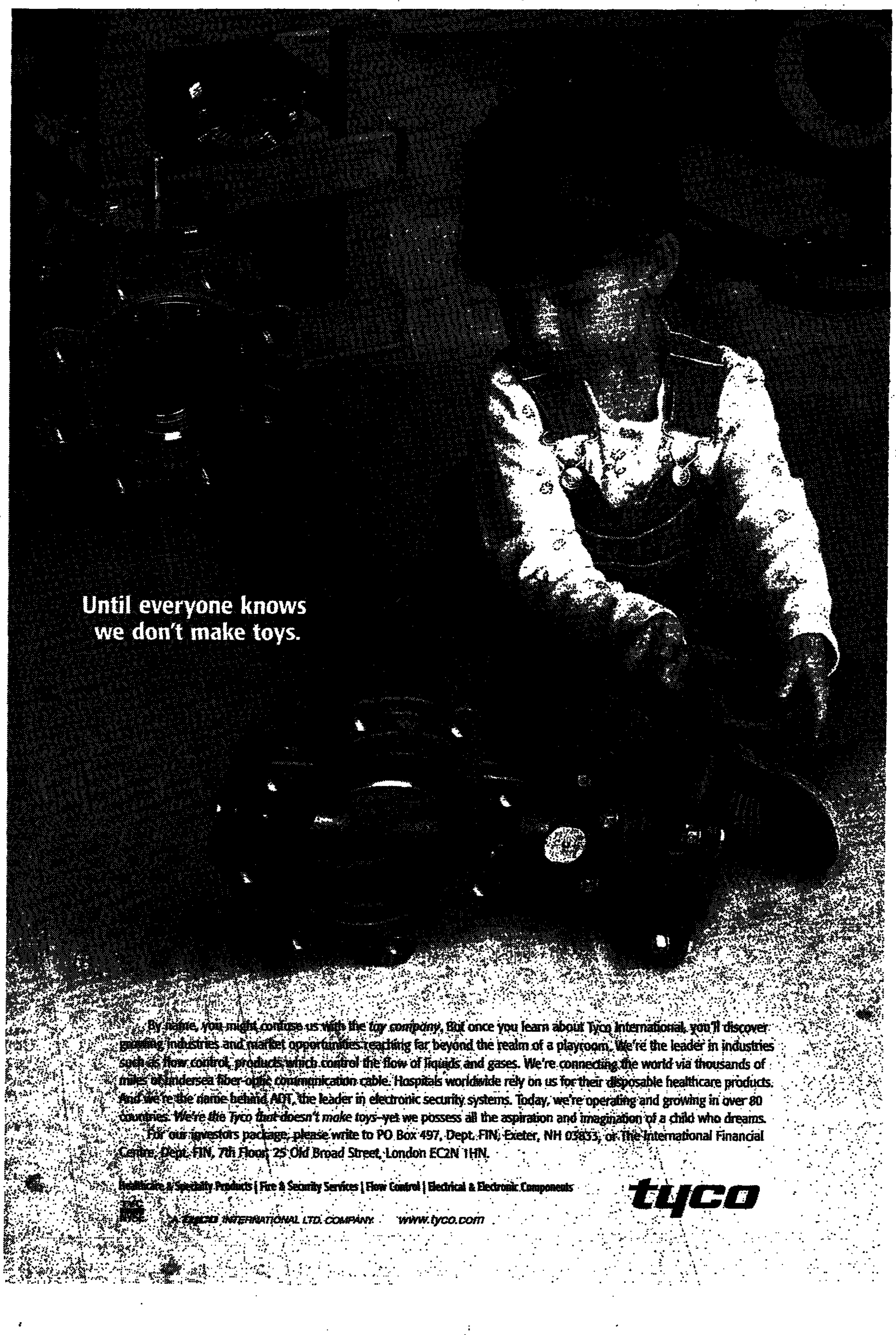
But the tactics adopted by the authorities even before the trial started suggested they cared little about international opinion.

Well over 30 anti-government activists were reported detained by police over the weekend, apparently to prevent them from trying to attend the trial.

Diplomats from the US, South Africa, Canada, Switzerland, Poland, the Czech Republic and several European Union nations were turned away from the court entrance, as were foreign reporters. Officials told them it would be a "closed" trial, with only family members allowed to attend.

One, apparently a senior security officer, ordered Michael Kozak, head of the US Interests Section in Havana, to move away from the court entrance. The official said he was giving the order in the name of the "revolutionary authorities". Mr Kozak said he had come to show his personal support for the four on trial, whom he described as "friends".

Before their arrest on July 16 1997, the four dissidents had criticised the monopoly grip on power held by President Fidel Castro's ruling Cuban Communist party. They urged voters to boycott one-party elections and sent a letter to foreign businessmen warning them they could be contributing to the suffering of the Cuban people by investing there.



Sky's the limit for prototype private rocket

By Christopher Parkes in Mojave, California

A prototype rocket intended to revolutionise the commercialisation of space emerged from its hangar yesterday ready for a maiden voyage which will take it a few inches above the Californian desert and back.

Within two months the Roton C-9 is due to make its first tentative hop, a great leap forward for the private space launcher industry.

Before next year is out, it is set to deliver its first payload into space at less than a tenth of today's going rates for satellite launches, and return to earth for up to 100 more round trips.

List price for carrying a 7,000lb satellite into low earth orbit, will be $7m, according to Geoffrey Hughes, marketing director at Rotary Rocket, the Roton's manufacturer.

Encouraged by remarks yesterday from an admiring Washington regulator, who said the Federal Aviation Administration had yet to refuse a licence for a commercial space launch, Mr Hughes said the roll-out was proof that "we are not garage rocket scientists".

At 63ft from base to apex and 22ft at its widest, the Roton provided the first substantial evidence of the entrepreneurial designs taking shape in half a dozen similar private US ventures. The presence of Patricia Smith, the FAA administrator responsible for licensing commercial space flights, demonstrated Washington's supportive stance.

Her participation underscored recent recommendations from a House committee that Washington should find ways to stimulate the expansion of commercial launch capacity. For Rotary Rocket, which has been in business for two and a half years, the most needed and most potent form of stimulation is cash. But federal funding is not wanted, Mr Hughes says, because government money brings government interference.

Rotary, which has spent $30m of private investment to date including $6m for the prototype and its hangar, needs at least another $100m to complete its first mission to space.

The Roton is the most curious of the projects under way. It is made mainly of carbon fibre composites and carries a crew of two.

It will be propelled by a spinning array of small rocket motors at its base. It will descend gently back to earth with four helicopter blades mounted on its nose. Each blade will have a small rocket at the tip.

These blades will be the sole means of propulsion for the prototype, and will lift and lower the vehicle. From a few inches at first, test flights will gradually increase to 8,000ft.

Public risks, said Mr Hughes were relatively small thanks to the incremental testing method.

Tables turned on tax service

By Richard Wolffe in Washington

As US taxpayers prepare to file their accounts to the Internal Revenue Service, the tax collection agency was itself condemned yesterday for failing to provide reliable financial statements.

The General Accounting Office, the investigative arm of Congress, said its 1998 audit of the IRS revealed that "serious internal control and financial management issues continue to plague the agency".

Auditors said the IRS was incapable of reporting reliably on its administration because of "pervasive weaknesses" in financial management, accounting procedures, documentation and computer security.

Gregory Kutz, who led the audit for the GAO, said: "The IRS cannot do some of the basic accounting and record-keeping tasks that it expects American taxpayers to do."

The highly critical audit – of an agency famous for its aggressive audits of taxpayers – was released in the run-up to the tax filing deadline next month.

It represents a further blow to the public image of the IRS after more than a year of congressional criticism, which ended in legislation to overhaul the embattled agency last summer.

The new laws aimed to achieve the most radical changes to the tax service in a generation, establishing new oversight of the IRS and allowing taxpayers to sue for up to $100,000 in cases of negligence.

In its report to the House government management subcommittee yesterday, the GAO auditors said the tax service continued to lack proper internal financial controls. Many of the problems would take years to solve fully, they warned.

In particular, the IRS was reported to suffer from a lack of control over tax refunds, leading to "millions of dollars of fraudulent refunds".

The IRS was also accused of being unable to account for its own property and equipment, including a Chevrolet Blazer and a $300,000 laser printer which the agency appeared to have lost.

Aetna may face suit over Viagra

By Patti Waldmeir in Washington

Aetna, the largest US health insurer, may be facing a costly federal class action lawsuit brought by men denied insurance coverage for Viagra, the anti-impotence drug.

A US district judge in California removed an obstacle to the case when last month she rejected a defence motion that would have dismissed the suit against the Aetna Life Insurance Company and Aetna US Healthcare of California.

The suit has been filed on behalf of men insured by Aetna nationwide who suffer from sexual dysfunction which has a physiological or organic cause. The lead plaintiff in the case, who is unnamed, is impotent because of prostate cancer surgery. Before the introduction of Viagra, Aetna paid for the man's anti-impotence treatment with the drug Muse, which is injected into the penis.

However, since Viagra came on to the market a year ago, Aetna and many other insurers have refused to pay for it. Many have labelled Viagra a "lifestyle" drug which is not medically necessary.

According to the plaintiff's lawyers, the San Francisco firm Friedman, Ross & Hersh, the wording of Aetna's California policies clearly covers treatment for organic sexual dysfunction. Aetna has declined to comment.

Medicaid, the federal health-insurance programme for the poor, covers the drug. But other insurers have applied to state regulators to exclude it, providing the drug only under a rider for which employers or the insured pay extra. Viagra retails at $8-$10 per pill.

Aetna tried to avoid litigation by offering the lead plaintiff, referred to as "Roe", reimbursement for an unlimited supply of Viagra, while denying any legal obligation to pay for it. A handful of other Aetna plan members also won coverage by using the company's internal appeals procedure, but were restricted to six pills every 34 days.

Plaintiffs' lawyers will now determine the size of the class involved and seek to have it "certified".

On the web today
● Turner banks on brand name ● Canada sees growth of 4.6 per cent ● Mexican bank sector revival hit
● Privatisation a 'last great battle' for Mexican union
http://www.ft.com/americas

Impasse in search for WTO head

By Frances Williams in Geneva

The search for a new head of the World Trade Organisation appeared to have reached an impasse yesterday, raising fears of an interregnum when Renato Ruggiero, the present director-general, steps aside at the end of April.

After missing two deadlines for selection of Mr Ruggiero's successor, WTO members last week set March 12 as their new target date, but this, too, looks in danger of slipping.

Consultations with members over the past month have not changed the rankings of the four candidates, according to a report yesterday to the WTO's general council.

Among the 118 members which have now expressed a view, Supachai Panitchpakdi, Thailand's deputy premier, continues to lead the field with 39 first preferences, followed closely by Hassan Abouyoub, former Moroccan trade minister, who has significantly improved his relative position at 35.

Roy MacLaren, former Canadian trade minister, is third with 23 first preferences, just in front of Mike Moore, former New Zealand premier, with 21. However, Mr Moore has the most second preferences (32) compared with 23 for Mr Supachai, 11 for Mr Abuyoub and eight for Mr MacLaren.

Several countries yesterday called for weaker candidates to drop out to make it easier to reach consensus, while some developing countries urged a vote if consensus is not achieved by the end of this month. A vote is opposed by many WTO members, however, because they argue that the next director-general should be clearly acceptable to all 134 member countries.

On a purely arithmetic basis, Mr MacLaren would seem to be in the weakest position but he has some influential backers including the US which claims to be supporting him alongside Mike Moore. Sir Leon Brittan, the European Union trade commissioner, also favours Mr MacLaren though EU members are split between all four candidates.

According to European trade officials, Mr Abuyoub is backed by a scant majority of EU members – France, Belgium, Greece, Ireland, Italy, Luxembourg, Portugal and Spain. Denmark, Finland and the Netherlands support Mr Supachai, Austria, Germany and Sweden Mr Moore and the UK Mr MacLaren, who is currently Canada's High Commissioner (ambassador) to London.

The officials said there seemed little prospect of any common EU candidate unless the field was narrowed considerably. At the same time, none of the candidates has an incentive to withdraw voluntarily, making it hard to see how the impasse can be broken.

One European trade official said yesterday that Mr Ruggiero might again be asked to stay on for another year while a new slate of candidates was found. However, Mr Ruggiero, who is 69 and not in good health, has so far refused all blandishments to remain beyond April 30.

DEFENCE CONTRACT ELDERLY MIGS TO BE REPLACED AFTER ENTRY INTO NATO

Czechs prepare for talks on $1.6bn fighter deal

By Robert Anderson in Prague

The Czech defence ministry will request information from western aerospace companies later this month as a prelude to opening formal discussions on a potential $1.6bn supersonic fighter contract.

The more formal proceedings for the contract have been long awaited by rival bidders as it has been discussed informally since 1996.

The more formal approach also brings the Czech Republic level with the other Nato entrants, Poland and Hungary, which are also considering buying new jets. "This is very welcome news," said Steve Mead, director of British Aerospace in the Czech Republic. "It puts an end to the speculation and will put on the table a formal response to a formal offer."

The Czech Republic will join Nato on March 12 with the worst air force of the new entrants. After trading away its Soviet-designed MiG-29s, the air force possesses only 40 old MiG-21s in the supersonic class, of which western experts believe fewer than half could be put in the air on any given day and all will be obsolete by 2003.

The air force wants to buy up to 36 jets to fill this gap and has been pushing for an early decision because it will need five years to adapt to the new weaponry.

The top contenders are seen as British Aerospace and Saab with the Gripen, Boeing's F/A-18, Lockheed Martin's F-16, and Dassault's Mirage. Russia is also interested but the air force is believed to favour producers from Nato member states.

However, the annual military budget is currently Kc37bn ($1.07bn) and the bulk of this is eaten up by personnel and housing costs. There is little money for new procurement, particularly given that the air force is committed to buying 72 domestically produced L-159 light attack aircraft over the next four years for Kc30bn.

"The military budget does not have the resources for this," said Jaromir Novotny, deputy defence minister. "The government has to find additional resources." This is likely to prove difficult at a time of economic recession but aerospace companies are hopeful that, by offering offset packages of technology and investment, the government will view the contract as a way of regenerating the struggling industrial sector.

The best offset package may decide the contract and, rather than bidding together, the Czech Republic, Poland and Hungary look to be competing to secure the best deal.

TELECOMMUNICATIONS HIGH-COST OPERATORS WILL BE ABSORBED BY COMPETITORS, SAYS STUDY

Fierce rivalry 'to reshape global industry'

By Alan Cane

Telecommunications operators with high costs are likely to be absorbed by competitors as global competition intensifies, according to a new study.

The research, by Analysys, the Cambridge-based consultancy which advises operators worldwide, says that operators and service providers of all sizes are for the first time competing in a globalised and highly dynamic environment.

"A business strategy for globalised telecoms is no longer an optional development for a handful of major service suppliers with some general global ambitions," it asserts. "It is essential to the survival and prosperity of all participants, large and small."

The catalysts for the changes reshaping the telecoms business are market liberalisation and new technologies.

Analysys sees several stages in the way the market will develop: an explosion of new entrants immediately after liberalisation followed by alliances, mergers and acquisitions leading to a new globalised environment populated by a few major groups and a large number of niche players.

David Cleevely, Analysys managing director, said he did not believe the telecoms industry was likely to achieve the kind of "steady state" it exhibited in the first half of this century for at least 20 years.

The report essentially destroys the idea that competing globally is for telecoms groups a matter of choice.

Successful companies in the new environment, it says, will combine low operational costs with tight business direction and control, unitary operations across chosen market segments and a recognition that there will be opportunities both in major markets and in niches.

"Operators with a high cost base will lose absolutely, irrespective of their position," it warns, pointing out that many, including AT&T of the US and KPN of the Netherlands, have started to shed staff and costs. Deutsche Telekom, on the other hand, retains a high cost structure despite cost-cutting.

It warns that a large operator with global coverage but narrow focus may fail to become an industry leader if it lacks other strengths. Valuations afforded the mobile operators Vodafone AirTouch, or DoCoMo of Japan, may be justified by the enormous potential of cellular communications, but could be overturned by developments in other sectors – electronic commerce, video-on-demand – in which full service operators such as AT&T have powerful resources.

Global Turf Wars by Tim Hills with David Cleevely. £1,495. Analysys Publications. Suite 2, First Floor, Quayside, Cambridge, UK

Iran close to $5bn target for oil investment

By Robin Allen in Tehran

Iran may come near its initial first year target of $5bn of oil buy-back contracts signed with western energy companies but, according to industry observers in Tehran, the National Iranian Oil Company is less than satisfied with the overall response to the 43 projects on offer since last year.

Serious interest, they say has been limited to the five offshore areas where contracts have been signed, and to 10 onshore areas.

According to Hossein Kazempour Ardebili, an adviser to the oil ministry quoted recently in the daily newspaper Arya, the government needs to attract more foreign investment to increase Iran's production capacity.

"In the years to come," he wrote, "Saudi Arabia's production capacity will be 15 million barrels a day (b/d), which will be alarming for Iran's security in the oil markets. Boosting production capacity would strengthen Iran's bargaining position against other oil producers."

According to industry analysts, Mr Ardebili could only have been referring to Iraq, Kuwait, Abu Dhabi as well as Saudi Arabia. These four together possess well over half proven global oil reserves. These states, they point out, could have a dominant position in crude oil markets in 10 years' time if no significant reserves are added to the capacity of smaller producers both inside and outside Opec. Iran, they add, has to increase its production capacity now just to stay in the big league.

But Iran is too strapped for cash according to economists, to come up with the capital.

Their assessment is confirmed by central bank figures which reveal oil export earnings of only $5.1bn in the first six months of the last fiscal year starting March 21.

Analysts reckon oil earnings for the whole year to next March 20 will not exceed $9bn. After paying out subsidies, foreign exchange allocations for state industries and short-term debt payments, the government is left with a $5bn deficit.

With the prospect of low oil prices continuing, the situation confronting Iran could get worse. Monthly average oil production is put at 3.5m-3.6m b/d. Of this according to Ali Shams Ardekani, an energy adviser to President Mohammad Khatami, 1.4m b/d goes for *domestic consumption*.

Iran's light crude has been fetching only $6-$7 a barrel on the spot market, while its heavy crude has recently traded at under $6.

US warns over hormones dispute

By Nancy Dunne in Washington

US agriculture officials yesterday warned that failure by the US and EU to settle a dispute over the Community's ban on hormone-treated meat would be "dangerous" for the future of world trade in farm produce.

American beef producers say they have lost hundreds of millions of dollars in sales since the ban went into effect in 1989, the officials said. Less than two-thirds of the US quota for high quality meat into Europe – 11,500 tonnes – is going unfilled because of the difficulties and expense in proving that meat has been produced without hormones.

"If [the dispute] is resolved, it sets a very good precedent that the US and European can resolve difficult issues by coming up with imaginative and innovative proposals," said August Schumacher, Jr, undersecretary at the US Department of Agriculture.

In a pitch to a group of *European journalists*, Mr Schumacher extolled the US proposal for a settlement that American meat would be labelled in accordance with the EU labelling regime. He sidestepped questions about whether the US would agree to labels containing the information that the cattle had been treated with hormones.

Beijing acts to boost great leap online

By James Harding in Shanghai

China yesterday moved to encourage millions more people to connect to the internet by halving the charges on data transmission lines and offering free installation of a second telephone line in Chinese homes.

The measures are likely to accelerate what is already being called China's great leap online, as industry analysts forecast the number of internet users to multiply from just over 2m today to more than 10m in 2000.

Beijing's decision to reduce the costs of internet access was part of a package of price cuts intended to deflect mounting public criticism over high telephone rates and low-quality service from China Telecom, the *de facto* state telecommunications monopoly.

The Ministry of Information Industry (MII) cut fees for internet use by 50 per cent, reduced international phone charges to many parts of the world by nearly 20 per cent and slashed the cost of domestic telephone line installation for some urban residents by more than 70 per cent, as well as offering free installation of second telephone lines.

Ministry officials were quoted as saying that the adjustments "were the result of increasing complaints from consumers".

The MII and China Telecom have been the targets of unusually forthright criticism in the state-owned media in recent months, as business groups and academics who see the internet as an essential tool for the development of China's "knowledge economy" have protested that they cannot afford to pay the government-set rates to get online.

Duncan Clarke, a Shanghai-based telecoms analyst, said the sweeping price cuts would foster the growth of China's internet industry. But, he said, the measures intended to appease dissatisfaction in the market did not address the fundamental problems of the near-monopoly enjoyed by China Telecom: "Beijing is trying to introduce the results of competition in the telecoms industry without introducing the competition."

Wu Jichuan, the MII minister, acknowledged last month that it was "necessary to cut prices to allow consumers to benefit from the advantages of advanced technologies and products".

China also announced that it would raise postage rates by 20-60 per cent in order to end the practice of having lucrative telecommunications services subsidise loss-making postal operations, the official Xinhua news agency said.

The number of telephone and mobile telephone users, including the 28.3m new subscribers last year, has reached 110m people, just less than 10 per cent of China's population. The number of Chinese mobile phone users was 25m people by the end of last year.

Indian rates cut sharply after budget

By Krishna Guha in Bombay and Mark Nicholson in New Delhi

India's central bank cut interest rates sharply yesterday in what was seen as a co-ordinated response to Saturday's tax-raising budget.

The Reserve Bank of India reduced the repurchase rate from 8 to 6 per cent, cut the bank rate from 9 to 8 per cent and reduced the cash reserve which banks are obliged to put with it from 11 per cent of deposits to 10.5 per cent.

Bimal Jalan, governor of the Reserve Bank, said conditions were right for a lower interest rate regime.

"In view of lower inflation in recent weeks, slow credit offtake and the next year's lower borrowing programme announced by the government in the budget, the Reserve Bank's judgment now is that conditions are right for such a move," he said.

Economists said the rate cut would offset fiscal tightening in the budget, which raised taxes by about Rs93bn ($2.1bn), and help spur industrial growth, at present languishing at 3.5 per cent.

The move is seen as a sign that the government and the Reserve Bank are prepared to allow a controlled depreciation of the rupee to restore export competitiveness.

Last week's Economic Survey report, published on the eve of the budget, called for a pragmatic and flexible exchange rate policy.

"It is pretty clear that they would like softly to depreciate the rupee," said the regional economist at a foreign investment bank.

India's exports picked up slightly in January, rising 8.5 per cent over the same month last year to $3.85bn.

However, official data show export growth remains negative for the first 10 months of the fiscal year, down by 1.98 per cent at $27.1bn compared with the same period the year before.

Imports fell 4.95 per cent in January to $3.3bn, but were 5 per cent higher for the first 10 months at $34.9bn.

India's trade gap for April-January, at $7.79bn, is almost 40 per cent higher than in the same period the preceding year.

China province puts funds into troubled group

By Louise Lucas and Rahul Jacob in Hong Kong

Guangdong's provincial government revealed yesterday it had poured HK$246m (US$31.7m) into Guangdong Enterprise Holdings, one of its languishing flagship companies, between mid-December and early February.

Guangdong's support of GDE, which made a loss of HK$18.8bn for the nine months to September 30, contrasts with the closure of Guangdong International Trust & Investment Corp (Gitic), the investment arm of the provincial government.

Gitic folded in October with US$4.37bn of debts, sending shock waves through many foreign bankers who had lent on the assumption the government would honour all the debts of its investment arms.

Gitic's closure showed this was not the case and prompted many banks to rein in their China lending. The resultant credit crunch compounded cash flow problems at mainland entities. This appears to have played a part in the government's decision to continue to support GDE.

Wang Qishan, vice-governor of Guangdong, said GDE merited support partly due to its role in Hong Kong (it has units listed on the territory's stock market) and because its balance sheet initially seemed stronger than that of Gitic. "But now today, we see the financial situation at GDE is in the same ballpark with Gitic," he said.

That financial situation was revealed to some 250 creditor representatives at a Hong Kong meeting yesterday.

Total liabilities of the GDE group exceeded total assets by HK$13.2bn as at September 30, higher than bankers had expected.

Its financial disarray was further underlined by the government injection of HK$246m which was required to help it meet ongoing business requirements and make interest payments of HK$253m. GDE's own net operating cash flow was a mere HK$25m.

Zhong Guang Chao, chairman of the GDE group, said: "These financial results are truly sobering. However, this is an important step to get our house in order."

The government is further supporting GDE by agreeing to inject several infrastructure assets. Possible candidates include a water plant which supplies water to Hong Kong, power plants, toll roads and bridges. A debt restructuring proposal is scheduled to go to bankers next month.

Bankers have expressed scepticism about the restructuring and queried the value of injecting more assets with Chinese currency cash flow when the problem is with meeting hard currency debt.

"Until all these asset injection plans are finalised, they won't have the cash flow to service debt. There are still a lot of question marks," said one banker with loans to GDE. Bankers were further disappointed by GDE's refusal to guarantee 100 per cent repayment.

Goldman Sachs, which is advising Guangdong on its restructuring, stressed that the job was about more than simply "fixing a hole in the balance sheet".

Management changes and greater strategic discipline for a group whose activities span infrastructure, foods, manufacturing, travel, brewery and hotels will also be implemented.

GDE's losses are largely due to hefty provisions including HK$11.78bn in write-offs for bad and doubtful debts.

Wang Qishan (centre), Guangdong vice-governor, addresses a meeting on GDE AP

Downgrade for five financial institutions

By James Harding

Standard & Poor's, the ratings agency, yesterday downgraded five of China's largest financial institutions in a sign of the declining international confidence in China's banks and financial services industry.

The ratings agency said it expected the domestic operating environment for Chinese financial institutions to become increasingly difficult as economic growth slowed.

S&P said the long-term outlook was negative for Bank of China, China Construction Bank, Industrial and Commercial Bank of China, Bank of Communications and China International Trust & Investment Corporation (Citic) and they were removed from CreditWatch Negative, where they were placed at the end of last year.

The foreign currency counterparty credit, certificate of deposit and debt ratings on all five were reduced.

The five institutions stand at the core of China's financial sector, including three of the big four state banks, one of the country's few, growing quasi-commercial banks and the flagship international trust and investment company.

S&P outlined specific problems that limited each institution's ability to improve its credit rating.

The rating for Bank of China, historically China's state-owned foreign exchange bank, reflected strong government support offset by deteriorating domestic market conditions.

China Construction Bank, the state-owned bank which has taken the lead on mortgage financing, also had strong and continued government support, but there remained concerns on poor asset quality, earnings and inadequate capital ratios, the agency said.

Indonesia forms new riot force

By Sander Thoenes in Jakarta

Indonesia's military chief formed a new anti-riot force yesterday, just as his troops killed at least 10 people in an attempt to halt another round of communal clashes.

General Wiranto said the 3,300 officers from the army, police, navy, air force and intelligence agency would be rushed to riots across the archipelago, plagued by ethnic and religious violence in recent months.

The 10 people were killed as soldiers fired into fighting crowds on the island of Ambon, part of the Maluku island group. Gangs of Christian Ambonese attacked Moslem migrants and threw petrol bombs at the local mosque, the latest in a series of tit-for-tat fights that have left at least 150 dead and caused thousands to flee.

The attacks on Moslems in Ambon have yet to provoke Moslem attacks on Christians elsewhere in Indonesia. But migrant groups have recently clashed in Kalimantan; in East Timor hundreds of Buginese traders have been leaving, fearing attacks from pro-independence groups.

Alexander Downer, Australia's foreign minister, said yesterday that President B.J. Habibie wanted to hear from the East Timorese people before June on whether or not they wished for independence.

Indonesia's parliament could then formalise autonomy or annul the 1976 annexation before the end of the year. The tight deadlines have raised fears that a rapid secession would spark civil war in the territory.

But Mr Downer said: "The Indonesians have given me a firm commitment they will not just walk out and leave East Timor in a state of chaos, if independence is chosen." Portugal, which still claims East Timor, and Indonesia resume talks at the United Nations on March 9.

Representatives of Irian Jaya have also demanded independence, raising concern that East Timor's secession may inspire other parts of Indonesia to follow suit.

Taiwan cautious on share sale tax cut

By Mure Dickie and Peter Montagnon in Taipei

Paul Chiu, Taiwan's finance minister, said yesterday no final decision had been made on a controversial proposal to cut the tax on share transactions. The plan has prompted a no-confidence motion against the premier, Vincent Siew.

In comments that suggested there could still be a rearguard action by ministers against the cut, Mr Chiu told the FT a reduction was not inevitable even if legislators granted the cabinet the power to adjust the tax.

"After two or three months the law might be passed," Mr Chiu said. "I would say it does not mean, necessarily, a cut in the tax."

Legislators will today vote on a motion of no-confidence against Mr Siew that was forced by opposition politicians after the premier appeared to bow to pressure from President Lee Teng-hui to cut the transaction tax to support falling share prices.

Mr Siew and other cabinet members had previously been vocal in their opposition to reducing the tax, a big source of revenue, at a time when the budget is badly stretched by infrastructure spending intended to stimulate the faltering economy.

Opposition legislators have condemned Mr Siew for failing to protect the independence of the office of premier, but their no-confidence motion, the first raised under a 1997 constitutional amendment, appears doomed to fail given the ruling party's parliamentary majority.

The row has weakened public confidence in the government's ability to deal with slowing economic growth, but Mr Chiu said recently announced measures to boost bank profits and reduce non-performing loans would have a wide-ranging effect.

"The key part of our policy is to treat the banking problems as the core of all the problems," he said. "Once this core business is stabilised then there is no problem for other industries."

However, Mr Chiu took a relatively soft line on the need for bank mergers, which many analysts say are urgently required to solve the overcrowded sector's problems. He stressed the strong capital base of Taiwan's banks – a sharp contrast with the weakness of counterparts in Japan and South Korea.

President Lee had earlier called for bank mergers and said the business tax paid by banks, recently cut from 5 to 2 per cent, might be scrapped. He waved aside reports of a rift with the premier and his economic ministers, saying talk of a constitutional crisis was a media creation.

Novartis fined for misreporting income in Japan

By Paul Abrahams in Tokyo

Novartis, the Swiss pharmaceuticals group, has been fined by the tax authorities for under-reporting its income in Japan. It becomes the latest in a number of domestic and foreign drugs companies to have fallen foul of the Japanese tax administration for using excessive transfer pricing.

Transfer pricing involves parent companies overcharging subsidiaries in countries where the effective tax rate is high. This has the effect of minimising taxes, allowing the company to book the earnings in a low-tax nation, effectively cutting its tax charge.

The move is likely to alarm foreign drugs companies, whose operations in Japan are usually highly profitable, but which tend to report low earnings.

The corporate tax rate at the national and local level in Japan is among the highest in the world at 46 per cent, although it is to be cut to 40 per cent as part of the government's efforts to stimulate the economy.

The effective tax charge is also high because the Japanese authorities allow very few deductions.

The government has been particularly keen in recent years to ensure it receives taxes due to it because corporate tax revenues in Japan have been hit by the recession. In December, for example, the corporate tax take fell 20 per cent year-on-year.

Ciba-Geigy Japan, an affiliate of Ciba which merged with Sandoz of Switzerland to become Novartis, is alleged to have under-reported its income by Y8bn ($67m) between 1990 and 1994, and the group has been fined Y3.3bn ($27.7m). The company refused to comment.

Roche, another Swiss drugs group, has been accused on a number of occasions by the tax authorities of diverting profits to Switzerland. Last year, the tax office alleged the company had avoided Y6bn in tax between 1992 and 1994. This is disputed by Nippon Roche, which has asked for clarification of the double tax treaty between Switzerland and Japan. Previously, it received a demand worth Y3.5bn relating to 1988 and 1991, which was cut to Y2bn.

The biggest case in recent years has been Yamanouchi, the Japanese drugs group which, according to the authorities, failed to declare Y54.1bn in income during the six years to March 1997. The group eventually had to pay Y24.2bn in additional taxes, including a fine.

Its operations in Ireland, which has an extremely low tax rate for drugs manufacturers, were found to have overcharged the Japanese parent for raw materials used to make Gaster, its top-selling ulcer drug.

The Japanese subsidiary of Monsanto, the US life sciences group, was this year found to have avoided Y1.5bn in taxable income between 1990 and 1993.

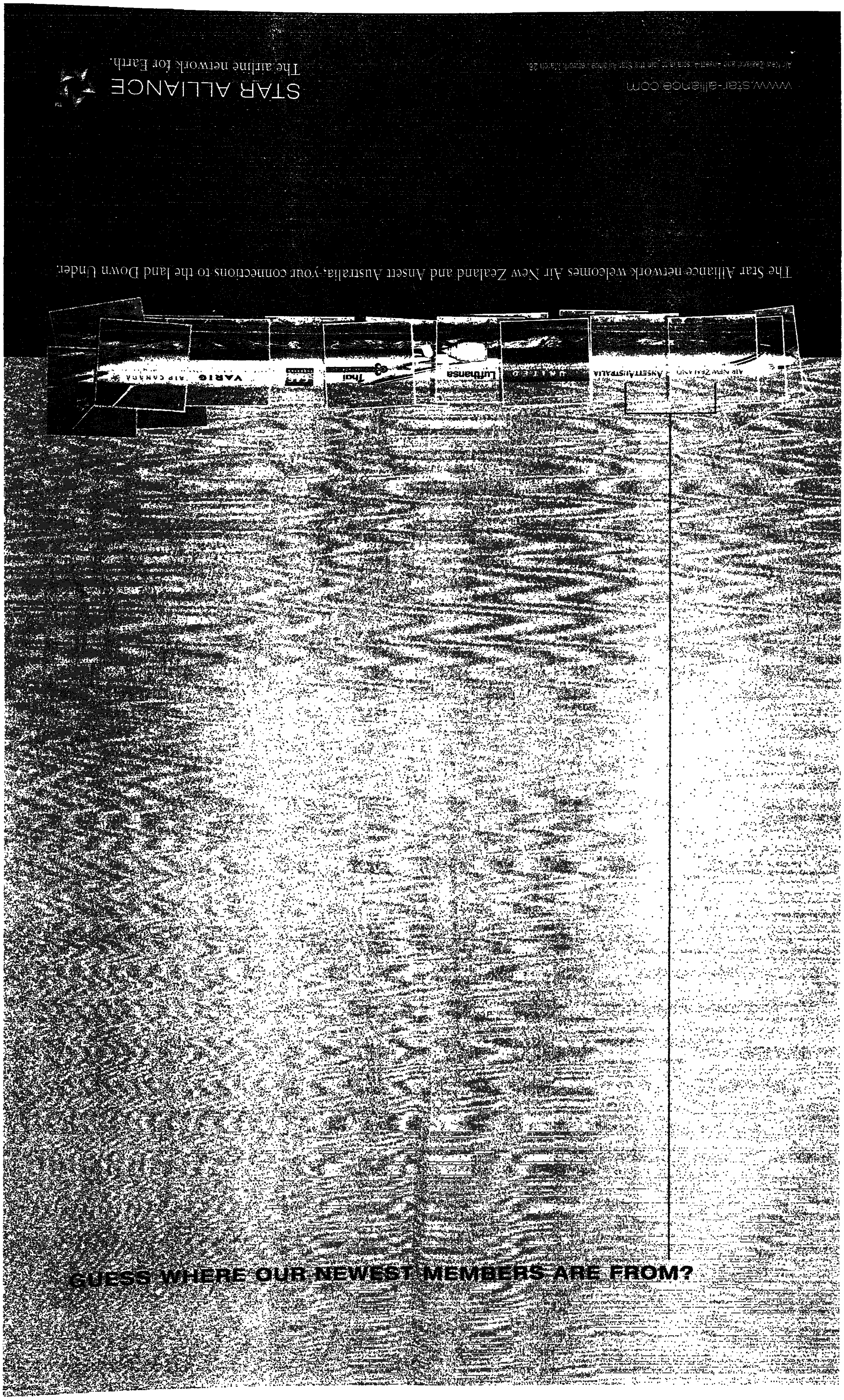
INTERNATIONAL ECONOMIC INDICATORS: BALANCE OF PAYMENTS

Trade figures are given in billions of European currency units (Ecu). The Ecu exchange rate shows the number of national currency units per Ecu. The nominal effective exchange rate is an index with 1990=100.

	UNITED STATES					JAPAN					GERMANY				
	Exports	Visible trade balance	Current account balance	Ecu exch. rate	Effective exch. rate	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1988	272.5	-100.2	-108.4	1.1833	100.5	220.3	78.5	67.8	151.51	115.9	289.0	65.1	43.0	2.0739	96.6
1989	330.2	-99.3	-94.5	1.1017	104.8	246.6	74.7	60.1	151.87	110.8	327.9	68.8	54.7	2.0681	95.9
1990	309.0	-79.3	-72.1	1.2745	100.0	221.3	55.5	36.2	183.94	99.9	340.6	53.9	40.4	2.0537	100.0
1991	340.5	-53.5	-4.6	1.2391	98.5	249.4	79.2	59.2	166.44	108.4	343.0	11.7	-15.2	2.0480	99.2
1992	345.9	-65.2	-43.5	1.2957	96.5	256.4	93.2	83.5	164.05	113.6	341.5	17.3	-15.3	2.0187	102.1
1993	397.3	-98.7	-73.6	1.1705	99.5	300.1	117.9	110.8	130.31	136.5	321.7	30.1	-11.8	1.9337	105.1
1994	432.3	-127.0	-104.4	1.1857	97.6	324.9	121.3	110.0	120.99	147.0	353.7	36.4	-16.8	1.9198	106.4
1995	452.3	-122.8	-88.2	1.2928	91.8	331.6	102.8	87.7	121.43	154.4	382.5	43.5	-18.6	1.8509	111.9
1996	499.0	-135.8	-107.7	1.2526	96.6	320.1	67.4	53.9	136.24	134.0	403.4	50.3	-10.8	1.8944	108.9
1997	609.4	-160.5	-137.2	1.1309	104.4	361.8	89.2	83.3	136.84	126.1	454.3	59.7	-3.6	1.9584	103.9
1998	608.2	-205.6		1.1229	109.5	333.9	109.4	108.1	146.69	118.2	483.9	65.2	-5.3	1.9728	104.1
1st qtr.1998	159.6	-48.2	-47.0	1.0874	109.1	89.0	27.4	26.6	139.32	121.2	121.2	15.9	-3.7	1.9777	102.7
2nd qtr.1998	151.4	-55.8	-51.4	1.1020	110.8	83.2	28.2	24.3	149.56	114.3	123.4	17.3	3.5	1.9756	103.7
3rd qtr.1998	148.8	-53.7	-54.8	1.1196	112.6	81.5	26.9	29.3	156.64	110.5	121.5	16.8	-3.5	1.9716	104.7
4th qtr.1998	148.8	-48.1		1.1824	105.6	80.4	26.8	27.8	141.24	127.0	117.8	15.3	-1.6	1.9662	105.4
February 1998	52.4	-15.8	n.a.	1.0892	108.4	29.8	10.5	11.2	137.00	123.4	40.4	5.7	-0.4	1.9746	102.7
March	53.4	-17.7	n.a.	1.0857	109.1	28.8	8.7	7.6	140.17	120.5	40.1	6.3	3.7	1.9635	102.5
April	51.1	-18.7	n.a.	1.0837	109.7	27.8	9.0	9.1	144.26	117.8	42.1	5.7	1.1	1.9818	103.0
May	49.9	-19.5	n.a.	1.1102	110.2	27.9	10.5	9.8	149.80	114.5	40.3	6.9	0.6	1.9697	104.1
June	50.4	-17.6	n.a.	1.1022	112.3	27.5	8.7	9.3	154.60	110.6	41.0	4.7	1.8	1.9754	104.1
July	49.6	-18.0	n.a.	1.0992	113.0	27.8	8.9	8.5	154.86	110.5	41.5	5.9	-0.3	1.9758	104.2
August	48.9	-18.9	n.a.	1.1028	114.8	26.8	8.9	10.0	159.70	107.5	40.3	5.0	-2.2	1.9724	104.7
September	49.1	-16.8	n.a.	1.1569	109.9	27.0	9.1	10.7	155.56	113.4	39.7	5.8	-1.0	1.9668	105.4
October	49.4	-15.4	n.a.	1.2021	105.4	27.4	10.0	10.1	145.38	124.7	39.8	5.5	-2.2	1.9699	105.6
November	50.2	-16.7	n.a.	1.1690	106.3	26.4	8.3	9.2	140.86	126.3	39.9	6.8	1.1	1.9660	105.2
December	49.2	-18.0	n.a.	1.1762	105.2	26.6	8.6	8.5	137.66	129.7	38.0	3.1	-0.5	1.9627	105.5
January 1999				1.1697	104.1				131.41	134.2				1.9559	104.6

	FRANCE					ITALY					UNITED KINGDOM				
	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1988	149.5	-8.3	-3.6	7.0354	96.9	85.9	-7.0	-4.3	1536.8	97.6	121.5	-32.4	-26.4	0.6643	105.4
1989	171.3	-10.6	-3.6	7.0169	96.0	99.6	-8.8	-8.4	1509.2	98.5	137.6	-36.7	-34.9	0.6726	102.3
1990	178.7	-11.6	-7.6	6.9202	100.0	105.1	-7.3	-10.1	1523.2	100.0	143.1	-26.2	-27.3	0.7150	100.0
1991	182.8	-9.8	-5.1	6.9643	98.3	108.3	-8.3	-15.2	1531.3	98.6	148.4	-14.6	-12.0	0.7002	100.7
1992	186.5	0.8	3.0	6.8430	101.5	113.3	-8.5	-18.6	1591.5	95.5	146.6	-17.7	-13.7	0.7359	96.9
1993	179.1	9.2	8.1	6.6281	105.0	137.5	17.2	8.3	1838.7	80.4	156.9	-17.1	-13.6	0.7780	89.0
1994	197.1	7.4	5.4	6.5650	106.1	159.1	18.5	11.8	1906.6	76.9	174.8	-14.3	-1.9	0.7736	89.2
1995	218.5	9.4	8.3	6.4450	109.2	196.9	23.5	22.6	2106.4	69.3	187.7	-14.3	-4.8	0.8190	84.8
1996	225.7	12.8	15.0	6.4088	109.1	200.8	34.9	32.7	1932.1	75.7	208.6	-16.3	-0.7	0.8026	86.3
1997	256.0	25.4	34.8	6.5925	105.6	209.2	27.4	32.3	1924.0	76.3	248.8	-17.2	8.8	0.6996	100.5
1998	274.0	24.7		6.6137	106.4	215.3	24.3		1947.3	75.9	241.6	-30.4		0.6775	103.9
1st qtr.1998	68.4	5.6	9.5	6.6273	105.0	52.8	3.2	2.4	1948.6	75.3	62.7	-6.4	-1.7	0.6606	105.4
2nd qtr.1998	68.9	6.0	8.1	6.6236	105.7	57.2	6.9	6.9	1948.7	75.7	62.1	-7.2	-2.2	0.6693	105.4
3rd qtr.1998	69.0	6.6	8.6	6.6105	106.5	52.5	8.9	-3.6	1945.8	76.3	60.7	-7.6	3.6	0.6774	104.4
4th qtr.1998	67.7	6.3		6.5931	107.3	52.8	6.3		1945.9	76.5	56.4	-8.9		0.7095	100.6
February 1998	22.9	1.9	2.1	6.6189	105.0	17.7	0.9	1.4	1948.7	75.2	20.7	-2.9	n.a.	0.6636	104.7
March	22.7	1.7	2.7	6.6493	104.8	20.6	2.3	3.0	1953.3	75.2	21.2	-2.3	n.a.	0.6532	106.6
April	23.0	2.1	2.8	6.6428	105.1	18.8	1.5	0.6	1957.6	75.2	21.1	-1.9	n.a.	0.6536	107.1
May	22.8	1.8	3.1	6.6051	106.1	18.8	2.8	2.7	1942.5	76.0	20.1	-2.9	n.a.	0.6783	103.4
June	23.1	2.0	2.3	6.6235	105.9	19.7	2.6	3.6	1948.2	76.0	20.9	-2.4	n.a.	0.6783	105.4
July	22.6	1.6	3.5	6.6243	106.0	21.7	5.4	-1.4	1948.1	76.0	20.8	-2.0	n.a.	0.6686	105.3
August	22.6	1.7	1.4	6.6123	106.4	12.9	2.7	0.5	1946.0	76.2	20.5	-1.9	n.a.	0.6757	104.6
September	23.8	3.0	3.7	6.5949	107.1	17.9	0.7	-2.7	1943.2	76.6	19.4	-3.8	n.a.	0.6877	103.3
October	22.0	1.2	3.2	6.5949	107.6	18.9	2.5	-1.7	1948.6	76.6	18.8	-2.5	n.a.	0.7091	100.7
November	23.1	2.4	2.8	6.5923	107.1	17.4	1.4		1946.6	76.4	18.8	-3.3	n.a.	0.7034	100.6
December	22.6	2.6		6.5819	107.1	18.5	1.4		1943.5	76.4	19.8	-3.2	n.a.	0.7041	100.4
January 1999				6.5596	106.7				1936.3	76.1				0.7024	99.8

Due to the introduction of the Single Market, EC countries are currently changing to a new system of compiling trade statistics. All trade figures are seasonally adjusted, except for the Italian series and the German current account. Imports can be derived by subtracting the visible trade balance from exports. Export and import data are calculated on the FOB (free on board) basis, except for German and Italian imports which use the CIF method (including carriage, insurance and freight charges). German data up to and including June 1990, shown in italics, refer to the former West Germany. The nominal effective exchange rates are period averages of Bank of England trade-weighted indices. Data supplied by Datastream and WEFA from national government and central bank sources.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GUESS WHERE OUR NEWEST MEMBERS ARE FROM?

IMMIGRATION DELAYS 'THREATEN UK'S REPUTATION AS INTERNATIONAL CENTRE FOR BUSINESS AND INVESTMENT'

Lawyers protest at visa processing chaos

By Deborah Hargreaves in London

Law firms in the Immigration Law Practitioners' Association have sent a letter of protest to the UK government about the near-collapse in processing of visa and asylum claims.

"It makes us a laughing stock in the international business community," said Philip Barth, treasurer of the association and a partner at Mishcon de Reya, the law firm.

The chaos at Britain's Immigration and Nationality Directorate in Croydon, south London, began late last year. It has left families and business executives stranded in the UK because they are unable to extend visas or work permits.

The problems stem from the introduction of a new computer system, which is not working. The directorate has also moved offices, temporarily misplacing many files.

"It is worse than a third world country, my clients are absolutely amazed at the chaos," said Julia Onslow-Cole, a leading immigration lawyer at Cameron McKenna, a London firm.

"It's a political not an administrative problem now," said Mr Barth. "There will be lasting damage from this. These problems carry the real danger of causing serious and long-lasting discredit to the UK as an international centre for business and investment."

Once a visa runs out, visitors to the UK have to obtain an extension or renewal from the Croydon immigration directorate. This involves submitting a passport for scrutiny, which can become tied up in processing problems for many months. Executives are unable to travel without a passport or relevant visa. They must remain in Britain, or outside, until the papers are processed.

A Canadian woman representing a telecoms equipment manufacturer obtained a visa a year ago to market products in Britain, Scandinavia and northern Europe. She is based in the UK but travels almost weekly.

Her visa is due for renewal but she has been advised not to send in her passport because of the problems at Croydon. Mr Barth has given her a letter asking any immigration official at the airport to allow her back in but this means she must rely on the goodwill of immigration officers to do her job.

"They have moved 250,000 files from one office without labelling them," said Ms Onslow-Cole. "Some are in an underground car park in Croydon which staff refuse to go into because of health and safety problems."

The government predicted some disruption from December to February while the computer system was updated. But lawyers say delays and redundancies – because the new system was expected to need fewer staff – have led to a complete breakdown. Lawyers estimate that there are more than 10,000 visa renewals awaiting processing. The Home Office said last month the problems were unlikely to be over before Easter.

N Ireland property shake-up aims to evict discrimination

The move is an attempt to stamp out the widespread 'don't sell to the other side' culture. **John Murray Brown** reports

It became illegal in Northern Ireland yesterday for a landowner or estate agent to refuse to sell property to someone of the "opposite" religion. This is one of the region's least known forms of discrimination, confined mainly to rural areas away from the main flashpoints of the "Troubles".

Ownership is intimately bound up with politics in these areas. The distinction is still made between the the descendants of the native Catholics who originally occupied the land and the 16th century Protestant invaders who, with the backing of the British Crown, displaced them.

The strength of feeling became clear last month. John Dallat, an assembly member for the moderate nationalist Social Democratic and Labour party, issued a statement welcoming the reforms. "In rural areas everyone knows discrimination takes place," he said. "This law will consign the 'don't sell to the other side' brigade to history."

"We were frankly surprised at the public response," says Paul Robinson, editor with a BBC radio programme in the region that inadvertently triggered a three-day debate on the subject, as angry callers called to detail their experiences of discrimination.

Not selling to "the other side" is often seen as a civic – almost a religious – duty. Sensitivities were sharpened during the Troubles, when some Protestant owners of isolated farms were targeted by the IRA. Some were even killed and their families forced to move.

"It's all wrapped up in the idea of Ireland's four green fields," explains Mr Robinson, referring to the four ancient provinces of Ireland: Munster, Leinster, Connaught and Ulster, which includes the modern Northern Ireland. The reference underlines the fact that there is a territorial as well as commercial element to much property dealing in Northern Ireland. "In Ireland, land ownership is more important than it would be in England. The actual sod becomes the issue," Mr Robinson adds.

One auctioneer recalls a case in which a Protestant farmer was prepared to take £100,000 ($160,000) less rather than sell to a Roman Catholic. On another occasion a farmer bought land he did not need, to prevent it falling into the "wrong" hands.

The change makes it unlawful, for example, to offer land for sale with a precondition that it be sold only to those of a certain religion.

"How often do you hear the expression: 'I hope it goes to a good home'. This is Northern Ireland's version," says Sir Robert Cooper, chairman of the Fair Employment Commission, set up in 1989 to redress anti-Catholic practices in the workplace.

The latest reforms cover bars, clubs and the provision of financial services. But property is the most contentious area.

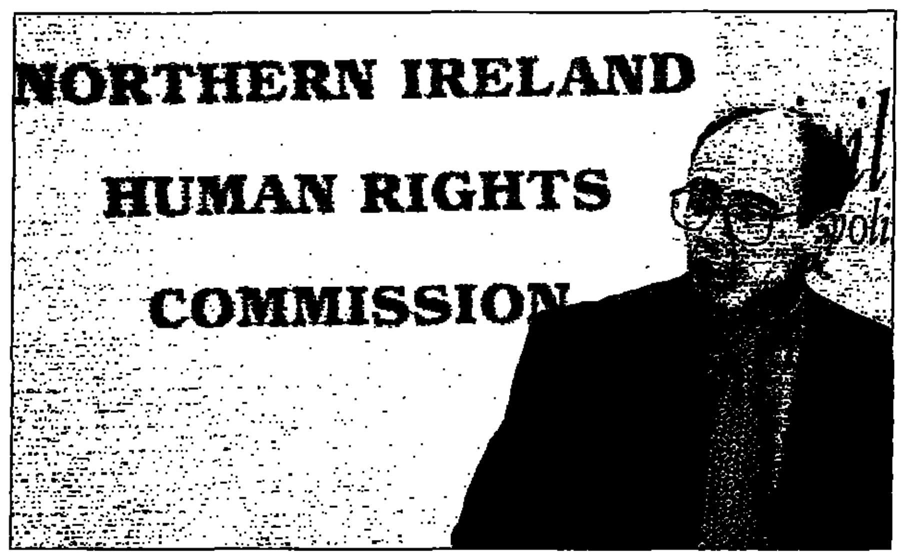
The practice is fairly discreet. Bertie Pollock, an auctioneer in Omagh, a border area in the west of the region, explains: "I would say to the bidder 'this is not going to work'. I would say it honestly. 'Your particular type is not going to get it'. But I'll not lead a Catholic up the garden path. The comment from the seller would be 'we'd like to keep it right'. That's the expression they use."

But Mr Pollock believes sellers are motivated less by religious prejudice than by the more practical consideration of not wanting to fall out with neighbours by selling to someone from the opposite community.

The law also extends to letting and estate agents will be liable for "aiding and abetting" a discriminatory act. "The problem is we're often caught in the middle. We have someone who wants something but the other side doesn't want to sell it," says Colm Coyle, who runs a practice in Strabane, another border area.

Some members of the region's Special Advisory Commission on Human Rights are understood to have had misgivings about interfering in such a private area when the government asked for a review. But Sir Robert says private companies made exactly the same complaints about the original employment provisions – that they should be free to hire whom they choose.

The reforms will only affect sales that are advertised. Sir Robert says the test of the legislation will be whether vendors resort to private sales, beyond the remit of the law. The higher prices available using a public sale, he believes, should discourage that.



Prof Brice Dickson addresses human rights commission members during their first meeting AP

Human rights unit launched

The Northern Ireland Human Rights Commission met for the first time yesterday to begin preparing a bill of rights for the region. The UK government pledged to form the commission, and promote a bill of rights, as part of the April 1998 peace agreement. It will be headed by Professor Brice Dickson, a University of Ulster law professor. The 10 part-time members are drawn equally from the region's majority Protestant and minority Roman Catholic communities. They include lawyers, business people, a Methodist minister and a trade unionist.

NEWS DIGEST

HEATHROW AIRPORT

Passenger aircraft pass within 30m near London

A Boeing 737 heading for London's Heathrow airport came within 30m of a Gulfstream IV over the east London suburb of Chigwell early on Friday morning, it was disclosed yesterday. The two passenger planes were flying at about 12,000ft. The Boeing was waiting for clearance to land at Heathrow while the Gulfstream was heading for Farnborough, to the south of Heathrow. An air traffic controller is thought to have ordered the Gulfstream to descend to 12,000ft because he mistakenly thought the airspace was empty. The Civil Aviation Authority said an air traffic controller at the West Drayton centre near Heathrow had been suspended while he made a report on the incident. This is normal practice. The authority refused to name the Boeing's airline or how many passengers it was carrying. "There are around 40 possible near-miss incidents reported every year in Britain and about 80 per cent of them are found to involve no risk," it said.

NATIONAL GALLERY

Checks made for looted works

London's National Gallery is to investigate the origin of 120 paintings that came into its collection between 1933 and 1945 to ensure none were looted by the Nazis. There is no suggestion any of the works has a disputed ownership but the UK government has asked all national museums and galleries to check. The National Museums Directors' Conference set up a committee last June to consider the theft of works of art during the second world war. The National Gallery is the first UK institution to produce a list requiring further examination. **Antony Thorncroft, London**

FOOD POLICY

Royal rebuff for ministers

Prince Charles yesterday delivered another embarrassing rebuff to the government's food policy when he tucked into a "delicious" and illegal hunk of beef-on-the-bone. The Prince was joined in the illicit lunch by Alun Michael, chief minister for Wales. The ban on selling beef on the bone was introduced in 1997 during the BSE – "mad cow" disease – crisis. Prince Charles has no qualms about flouting government strictures on food safety and is an enthusiast of frowned-upon products such as unpasteurised cheese. He caused discomfort to the government last month by warning on his Royal website that he did not approve of genetically modified food.

He told an audience of farmers, butchers and civic dignitaries in Wales yesterday: "I am only sorry that so many of you have had to wait in here, building up an enormous appetite whilst having to look at this huge hunk of roast beef. I am sorry that I got there before you did. Shortly, you will be able to taste it like I did. It's absolutely delicious." The agriculture ministry said later: "Providing beef on the bone is illegal - eating it is not."

● The government yesterday said 39 people had died of new variant Creutzfeldt-Jakob disease, the brain disease linked to BSE, by January 31. That is four more than the death toll to the end of December. The government said one person died of the disease in January and three deaths in 1998 had been re-diagnosed as nvCJD, bringing the year's total to 15. There were 10 deaths in 1997 and 10 in 1996. **George Parker, London**

MANUFACTURING

Survey show signs of recovery

Signs of a recovery in UK manufacturing and strong growth in consumer borrowing have damped hopes of another cut in interest rates this week. The latest UK purchasing managers' index, published yesterday, revealed a modest rebound this month from January, reflecting increased domestic demand for consumer goods. Manufacturing output, new orders, employment and prices declined, said the Chartered Institute of Purchasing and Supply. But the overall rate of contraction slowed markedly. The survey of more than 300 manufacturing companies pointed to an improvement in domestic demand and export orders. The overall index increased from a revised 44 to 45.5 in February. A run-down in inventories kept it below the break even level of 50 but expectations grew that the worst may be over. **Melanie Carroll, London**

PRIVATE MEDICAL CARE

Insurers in competition dispute

Norwich Union, Britain's third biggest health insurer, is registering a complaint of anti-competitive practice against Bupa, the largest insurer and most extensive private hospital chain, with the Office of Fair Trading. Norwich Union also cut Bupa's hospitals out of a health insurance product it launched yesterday, arguing that its hospitals were "too expensive". The request to the OFT to revive a past inquiry into Bupa lays bare an angry dispute between it and the rest of the industry. Bupa Hospitals has been seeking a 7.5 to 8 per cent increase in charges for services to other insurers, while Bupa's insurance business has demanded other private hospitals increase their charges to Bupa members by as little as possible. **Nicholas Timmins, London**

Plans unveiled to improve gas competition

By Andrew Taylor, Utilities Correspondent

Plans to make gas trading more competitive were announced yesterday by the industry regulator.

The move follows problems last year in balancing supply and demand, which led to big increases in gas shippers' costs.

Callum McCarthy, the energy industry regulator, proposes to remove the monopoly held by Transco, which controls the flexibility mechanism that ensures supply always matches customers' demands.

Mr Carthy plans a screen-based market that would be run by an independent operator. This would reduce the residual market balancing role of Transco, owner of the national gas pipeline network that was carved out of British Gas, the former state monopoly.

The regulator said the proposals were in line with plans to reform trading in English and Welsh electricity markets. He said the plans move "will bring Britain's gas trading arrangements to the forefront of international best practice at a time when liberalisation is occurring in European Union energy markets". The arrangements are due to be in place by October.

Big gas customers have complained that on-the-day mechanisms to balance supply and demand have been been manipulated by some shippers taking advantage of transmission constraints to boost prices.

The new plan includes a secondary market for trading capacity, more flexible trading rules, improved pricing that better reflects the costs of shipper imbalances and a method of allocating access to the pipeline network, preferably by auction.

● Government plans to raise water industry investment targets "and still leave room for big price cuts for customers" were attacked by water companies yesterday. Companies, which have warned of possible dividend cuts, expressed concern after Michael Meacher, environment minister, said they would have to meet stiffer environmental requirements than planned in 2000-05. The minister said the companies had succeeded in driving down investment costs in recent years. This had convinced him that the industry could meet the extra targets within the original £8bn ($12.8bn) forecasts.

THE EURO HAGUE'S ALLIES AWARE THAT KENNETH CLARKE STILL WANTS TO LEAD PARTY

Opposition leader may face coup

By George Parker and Andrew Parker

William Hague, leader of the opposition Conservative party, is bracing himself for a possible attempted coup by pro-Europeans led by Kenneth Clarke, chancellor of the exchequer in John Major's government of the mid-1990s.

Mr Hague's closest allies say he is aware that Mr Clarke still wants to lead the party and there is growing speculation in the Houses of Parliament about an autumn leadership challenge. Mr Hague's aides believe any challenge would fail and that Mr Clarke is increasingly viewed by many party members as "a traitor".

Mr Hague believes Mr Clarke made a serious error last week by holding private talks with Gordon Brown, chancellor of the exchequer, on euro strategy.

Michael Heseltine, the former deputy prime minister, held private talks with Tony Blair, the prime minister. Both later praised Mr Blair's approach to Emu.

Mr Clarke's allies are watching the outcome of June's elections to the European parliament, to gauge the success of rebel MEPs who are standing as pro-European Conservatives. If the breakaway party significantly eroded support for official Conservatives – damaging Mr Hague's authority – it could pave the way for a challenge.

Meanwhile, a new anti-euro group launched yesterday to try to thwart the government's plan to hold a referendum on UK membership of the euro shortly after the next national elections. Lord Owen, former Labour foreign secretary and one of the founders of New Europe, said he believed people would reject the euro in a referendum. But he added: "It would be fair to say we would like to influence opinion so that no government called a referendum. By and large governments do not call referendums unless they think they are going to win them."

New Europe's statement says it does not want to rule out supporting membership, but argues "we cannot foresee a change in circumstances that would persuade of the case for joining".

The group is strongly in favour of British membership of the European Union.

BUSINESS OPPORTUNITIES

LEGAL NOTICE

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re:
CITYSCAPE FINANCIAL CORP., Tax I.D. No. 11-2994671, and CITYSCAPE CORP., Tax I.D. No. 13-3430697,
Debtors.

Chapter 11
Case Nos. 98-B-22569 (ASH) and 98-B-22570 (ASH)
Jointly Administered

NOTICE OF MARCH 22, 1999 AS LAST DAY FOR FILING PROOFS OF CLAIM

TO ALL CREDITORS OF THE DEBTORS:

PLEASE TAKE NOTICE that, on October 6, 1998, Cityscape Financial Corp. and Cityscape Corp. (collectively, the "Debtors"), [illegible]

PLEASE TAKE FURTHER NOTICE that the Bankruptcy Court granted an Order [illegible]

PLEASE TAKE FURTHER NOTICE that [illegible]

[illegible]

Dated: White Plains, New York
February 22, 1999

LATHAM & WATKINS
[illegible]

BY ORDER OF THE COURT:
/s/ Adlai S. Hardin, Jr.
THE HONORABLE ADLAI S. HARDIN, JR.
UNITED STATES BANKRUPTCY JUDGE

CONTRACTS & TENDERS

Office of the Director of Telecommunications Regulation

COMPETITION FOR THE AWARD OF 8 LICENCES TO USE FIXED WIRELESS POINT TO MULTI-POINT ACCESS (FWPMA) TECHNOLOGY FOR THE PROVISION OF TELECOMMUNICATIONS SERVICES IN IRELAND

The Director of Telecommunications Regulation in Ireland invites applications for licences for the use of FWPMA technology to provide telecommunications services in Ireland. The Director proposes to award eight licences - four broadband and four narrowband - following a comparative bidding process. The licences are for nationwide services and will be for a term of 10 years.

Ireland is amongst the most rapidly growing economies in the EU and this is forecasted to continue into the foreseeable future. Although telephone penetration rates in Ireland of around 83% are low by European standards, the telecommunications market in Ireland was liberalised on 1 December 1998 and has significant potential for growth over the coming years.

A copy of the tender documentation is available, on payment of a non-refundable fee of IR£5,000, from Ms. Joan Phelan, Office of the Director of Telecommunications Regulation, Abbey Court, Irish Life Centre, Lower Abbey Street, Dublin 1, Ireland (Telephone 00 353 1 8049600, Fax 00 353 1 8049665).

The fee should be paid by bank draft payable to the "Office of the Director of Telecommunications Regulation". Only organisations which purchase the tender documentation may participate in the competition.

A summary information memorandum is also available on request or can be viewed on the official website of the Office of the Director of Telecommunications Regulation: http://www.odtr.ie.

Closing date for receipt of applications is 1400 (local time) on the 6th May 1999.

BUSINESSES FOR SALE

BUSINESS SERVICES

BUSINESSES WANTED

COMPANY NOTICE

INCO
INCO LIMITED

Notice of Record Date

NOTICE IS HEREBY GIVEN THAT March 19, 1999 has been fixed as the record date for the determination of the holders of Common Shares, Series E Preferred Shares and Class VBN Shares who are entitled to notice of the Annual and Special Meeting of Shareholders of INCO LIMITED to be held on April 28, 1999.

Dated March 1, 1999.

S.F. Feiner
Secretary

LEGAL NOTICE

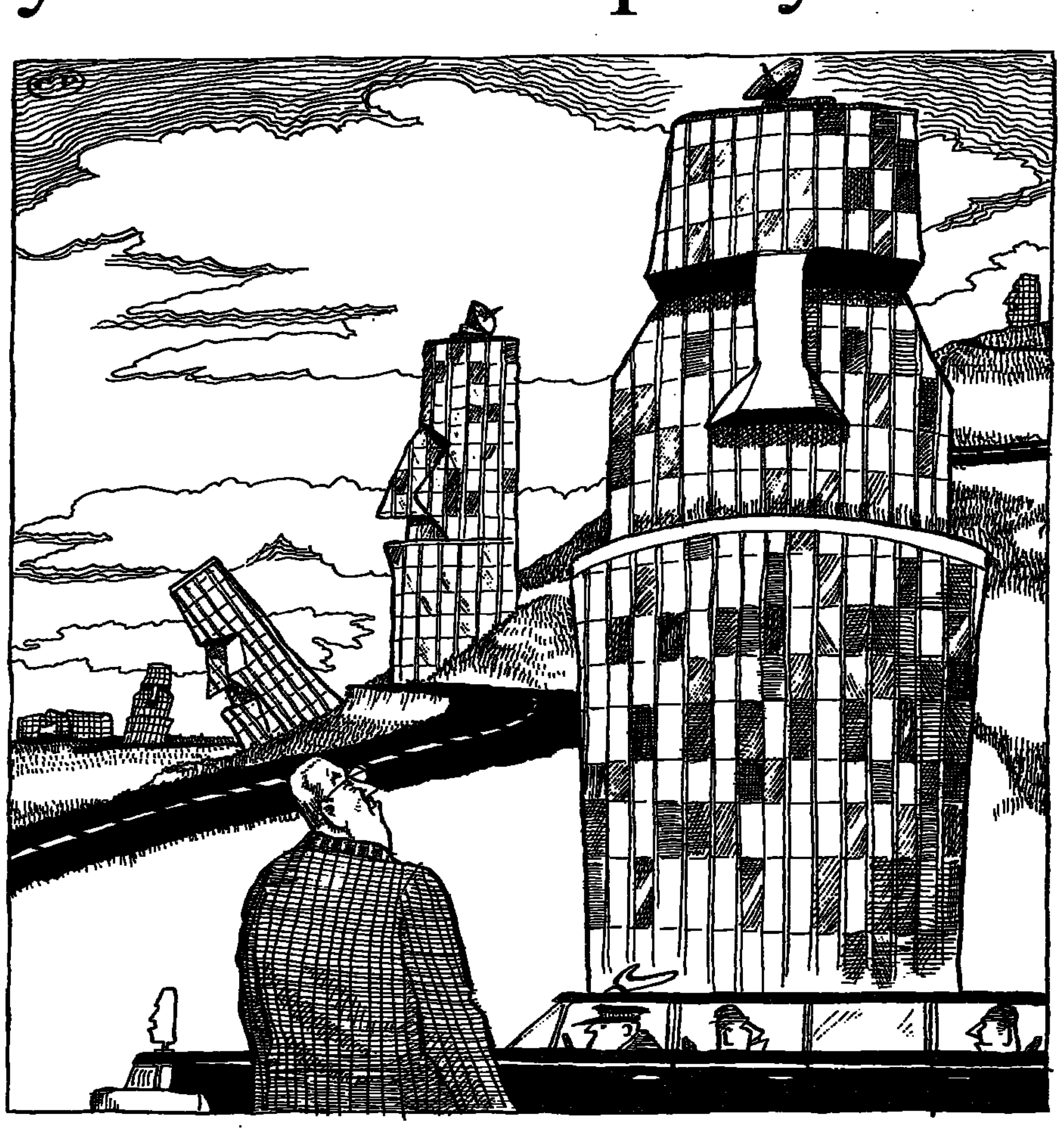
LOWLINE LIMITED

[illegible]

MANAGEMENT CORPORATE HEADQUARTERS

Uneasy lies the company head

Tony Jackson on a report that sees HQ having to keep pace with changes in the outside world



The nature of the corporate headquarters is something of a hot topic these days. In part, this is a natural result of all those mega-mergers. Where should the combined head office be? Whom should it contain? Should it be like the old HQ of company A, or company B, or neither?

But there is also underlying uncertainty about what the head office is for. Throughout corporate history, there has been natural tension between the desire to centralise and to decentralise. And with the rise of networked technology, the number of functions that can be handled either way has risen sharply.

Not only is the purpose of head office unclear: so is its effectiveness. According to a report on head office design*, not a single company among those surveyed claimed to be able to measure systematically the value and effectiveness of what head office did.

This is a rather startling finding. According to the study, some executives argued that the issue was too complex and political to be worthwhile. Commonsense might also suggest that if the company is doing well overall, head office is doing its job.

But as the report points out, that does not logically follow. It could be that the business units are performing well in spite of head office meddling.

What conclusions can be drawn on how best to design an HQ? The Conference Board's report surveyed a total of 89 large companies in the US, Europe and Asia. It also reviewed the management literature on the topic. Some of the findings are unremarkable: others are a surprise.

First, 85 per cent of the companies surveyed had reorganised their head offices at least once in the 1990s. The main reason given was the need for greater speed, presumably as a result of increased competition.

One result seemed to be a degree of complacency. Companies were asked how good their head office was at adding value, compared to the competition. For instance, how good was it at providing leadership? Above average, according to 87 per cent of the sample. And this was from a group of companies that had no objective means of assessing head office performance.

However, the report makes a stab at objective measures of its own. First, it ranked the companies by how well they were managed, using two criteria: their return on assets, and their credit rating with Standard & Poor's.

Well-managed companies, it appears, displayed certain common characteristics. First, the head office was small: 2 per cent or less of total group headcount. At ABB, the Swiss-Swedish engineering group and one of five companies the report analyses in detail, the aim is for head office expenses not to exceed 1 per cent of the corporate total.

There were variations within this. Financial service companies were more likely to have more than 2 per cent of personnel at head office. Royal Bank of Canada has a corporate staff of 5,000, while the much larger Shell has a corporate centre numbering just 150. Perhaps surprisingly, North American companies were more likely to have big head offices, compared with European ones.

Second, all well-managed companies had reorganised their HQs significantly in the 1990s. Certain functions had been strengthened: business development, procurement, and the exchange of knowledge and best practice.

And the less well-managed companies? Again, they tended to have reorganised their head offices. But they were more likely to have done so only on the arrival of a new chief executive. Their main motive was negative: to make the corporate culture less bureaucratic and inflexible.

The report does not present an ideal model to which all head offices should conform. Instead, it makes a fundamental point: that the nature of the head office evolves through the life cycle of the company.

Drawing on work by Larry Greiner, a US academic, it posits six stages of evolution. First is the start-up, where the company is run by the founder and head office does not exist. Then comes the stage in which the company is run tightly by a leader, backed by a small central team.

And so to stage six, a kind of virtual corporation in which head office represents a small and flexible elite. Each of the earlier stages ends in crisis: stage one when professional management is needed, stage two when top-down control proves too restrictive and so forth.

The report raises one contentious issue which it does not claim to resolve. This is the two-way pull between centralising and decentralising tendencies. On the one hand is a group of forces calling for greater strategic direction from the centre. On the other is the need to stick close to the customer. That, and the use of information technology, points to a more lateral, team-based organisation, with decision-making being pushed downwards.

As the report comments, many managers find the latter idea hard to accept. Their instinct is towards strong central authority and defined corporate purpose.

Perhaps it need not be that way. Bridget Skelton of PA Consulting, a student of corporate structures, points out that these days, centralising need not be a matter of power-grabbing.

A shared services centre, for example, brings together certain functions of the business units under one roof. But it will exist on the fringes of the organisation, rather than at head office. And if it fails to deliver, it risks losing business.

But the opposing forces remain highly complex. As Ms Skelton remarks, consider the advent of the euro. Companies may now give a lot of autonomy to their German or Spanish operations because their products are priced in local currencies.

Suppose, though, that the euro brings the pricing transparency and consistency we are promised. Will companies then take pricing policies back to the centre?

Some will, presumably, and some will not. Either way, some will get it wrong, and have to backtrack. As the report puts it, headquarters design is entering a new period: and one of its main characteristics will need to be the capacity to change as fast as the outside world does.

Royal Bank of Canada has a corporate staff of 5,000, while the much larger Shell has a corporate centre numbering just 150

**Organizing for Global Competitiveness: The Corporate Headquarters Design. 66 pages, price $30 to Conference Board members, $120 to non-members. For copies, phone US, 212 339 0345, fax 212 980 7014, or e-mail orders@conference-board.org.*

The Conference Board is organising senior executive seminars on the report in London, Stockholm, Frankfurt and Paris from March 9-17: e-mail brussels@conference-board.org.

PEOPLE ON THE MOVE

O'Neill to head Molson's North American brewing

Molson, Canada's largest brewing company, has gone outside the industry to appoint **Daniel J. O'Neill** executive vice-president and chief operating officer of its North American brewing division.

O'Neill, 47, was previously an executive vice-president at H.J. Heinz, the US food group, and served as president and chief executive of its Star-Kist Foods division, the leading US canned tuna company.

His appointment comes as Molson, the oldest beer maker in the country, is struggling to reverse a decade of declining profits and shrinking market share. Its sales have been notably stagnant in the US, where its Canadian rival Labatt brewing has recently surpassed Molson in sales.

James Arnett, president and chief executive of Molson, said O'Neill had a strong track record in the food and consumer packaged goods businesses and "a recognised talent for increasing productivity and profits while growing established brand names".

He will have plenty of challenges ahead. Molson's share of the Canadian market has also been declining and it has lost customers both to Labatt and to an array of speciality brewers that have popped up across the country.

The company has ended unsuccessful efforts to diversify into retailing and other businesses, and recently recommitted itself to the brewing industry by spending C$1bn ($600m) buying back the 50 per cent of Molson Breweries that was owned by Foster's of Australia.

Speculation is also mounting that Molson might sell the loss-making Montreal Canadiens hockey franchise, the most famous sports team in Canada. The company last year abandoned its sponsorship of Hickey Night in Canada, the country's most-watched hockey broadcast. Labatt quickly moved in to snap up the deal.

Edward Alden, Toronto

Wissmann joins Washington firm

Matthias Wissmann, the treasurer of Germany's CDU opposition party and a former transport minister, has become a partner of the Washington law firm of Wilmer, Cutler & Pickering, in one of the most dramatic attempts yet by US lawyers to export their regulatory expertise to Europe.

The firm is currently best known in Europe for its role in representing the Swiss banks when they were sued in the US over their alleged confiscation of assets belonging to holocaust survivors. It is now working for several German companies being sued over their use of slave labour during the second world war.

It hopes that Wissmann, 49, will add extra clout to its network of offices in Europe, which already includes practices in London, Brussels and Berlin.

Wissmann has been a member of the German federal parliament since 1976, but practised law until he became a minister six years ago. As a minister he had to work on several issues that could be vital to regulatory lawyers, including the liberalisation of truck transport, and the partial privatisation of Lufthansa, the German airline.

Senior lawyers at Wilmer Cutler make it clear they believe Europe could be a big market for them, pointing to the lead that Brussels is already taking in privacy issues, and to the difficulty some US mergers have had in gaining EU clearance. Several US firms have already established significant mergers and acquisitions practices in Europe, but Wilmer Cutler hopes to establish itself "at the intersection of business and policy".

John Authers, New York

Changes at OM Gruppen

Lars Bredin, president of the Stockholm stock exchange, is to stand down as part of a management reshuffle by OM Gruppen, the company that operates the equity and derivatives exchanges in the Swedish capital.

Bredin, 62, will in future undertake special assignments for OM's group management.

He will be succeeded by **Carl Johan Högbom**, 41, currently executive vicepresident of the bourse.

Bengt Rydén, chairman of the stock exchange, said there was nothing controversial about the changeover – adding that Bredin had signalled his intention to retire some time ago.

OM Gruppen, meanwhile, said it was creating a new fixed income exchange by merging Stockholm's bond exchange and its fixed income activities.

Simon Nathanson, 38, has been named president of the new OM Fixed Income Exchange.

OM has become the largest exchange operator in the Nordic region, forging equity trading alliances between Stockholm and Copenhagen and derivatives tie-ups with Helsinki and Oslo.

Tim Burt, Stockholm

New career for Honegger at UBS

Has UBS, Europe's biggest bank, found its next chairman? The appointment to the UBS board of **Erich Honegger**, a Swiss politician and head of finance for the Canton of Zurich, has raised eyebrows in Zurich, Switzerland's financial capital.

Honegger, 52, whose father was a well-known Swiss politician, is a leading figure in Zurich's FDP, the centre-right party of big business. His appointment is a surprise not only because of his lack of business experience, but also because his party has traditionally been associated more closely with Credit Suisse, UBS's main political rival.

Honegger, who retires in May after 20 years in cantonal politics, is the first new director since UBS's merger with the Basle-based Swiss Bank Corporation last summer. He will be the youngest director and also one of the best-connected. He will shortly become chairman of the Neue Zürcher Zeitung, Switzerland's most respected financial newspaper, and SAirGroup, parent of the country's national airline.

Despite UBS's position as Europe's biggest bank, its list of outside directors is far less impressive than that of rival Credit Suisse. They are all Swiss and UBS now intends to recruit some non-Swiss directors. However, the internationalisation of the UBS boardroom was delayed by last October's abrupt departure of Mathis Cabiallavetta, its chairman, who was ousted following heavy losses in global equity derivatives and hedge fund investments.

After a fruitless four-month search for a successor, Alex Krauer, 67, a UBS vicechairman and chairman of Novartis, the Swiss bioscience group, was persuaded to accept the job until early 2002. By then he should have groomed a successor. Marcel Ospel, 49, UBS's chief executive, could be a contender. Alternatively, UBS may have recruited an international figure.

William Hall, Zurich

Hoiness leaves Storebrand

Storebrand, Norway's leading insurer, has announced that **Paul Hoiness** has decided to resign immediately as head of life insurance, its largest business, following a disagreement with management over a reorganisation of his area.

Storebrand revealed plans last week to split the private financial services (PFS) market within its life insurance business into two areas, product and distribution, effective immediately. Hoiness, 37, had been working with Storebrand for four years. **Espen Klitzing**, 35, will leave his post as executive vicepresident of business development to replace Hoiness and assume responsibilities for the product arm of PFS. **Kai Henriksen**, 42, will take over PFS distribution, and continue his current position as president of the company's private banking unit, Storebrand Bank.

Both Klitzing and Henriksen will join as new members of Storebrand's executive team. The shake-up comes in the same week as Storebrand announced plans to create the leading Nordic property and casualty insurance company together with Skandia, a Swedish insurer. The two companies aim to create a Stockholm-based company with SKr50.8bn ($6.2bn) in total assets with a 19 per cent share of the total P&C insurance market in the Nordic area.

Knut Francke, president of Storebrand's casualty insurance unit, will head the new P&C company's private division in Oslo, while Hans-Erik Andersson of Skandia will lead the industry division from Stockholm.

Valena Sköld, Oslo

Fukuda to Gold Council

The World Gold Council has appointed **Haruka Fukuda** its new chief executive officer.

Fukuda, 52, was until recently vice-chairman of Nikko Europe and a member of the Council of the Nikko Research Centre of Japan. She succeeds Chick Hood. "She will bring a fresh approach to the council's leadership," said John Willson, vice-chairman of the organisation which promotes the use of the metal internationally.

INFORMATION TECHNOLOGY BRIEFS

Palm Pilot keeps an advance in hand

3Com has launched the latest models in its family of Palm Pilot personal organisers. The company hopes these latest additions – the Palm V, right, and Palm IIIx – will ensure continued success.

New features in the Palm V include a synchronisation cradle that automatically recharges the battery. The Palm IIIx is designed for use in corporate environments and provides has improved storage capacity and durability.

Both models feature advanced liquid crystal display screens, which 3Com says improve contrast and clarity. Recommended prices for the Palm V and Palm IIIx are $449 and $369 respectively.

The hand-held computer market is experiencing intense competition. Devices using Microsoft's CE operating system have made in-roads into a market dominated by Palm Pilot and Psion.

www.3com.com

Recharges itself: the Palm V is a weapon in 3Com's handy armoury

WebPAD allows internet access

Cyrix, the US chip group, has developed WebPAD, a new hand-held unit to give access to the internet, *writes Christophe Jakubyszyn.*

The WebPAD, based on technologies from National Semiconductor and on the MediaGX highly integrated processor from its Cyrix subsidiary, will work much like a DECT cordless telephone, linked by wireless to its base station transceiver connected to any telephone line.

It will offer a 10in LCD touchcreen to surf the internet, to read and to send e-mail or to chat online, without the need for a PC or a television.

Cyrix has made specifications of its prototype WebPAD available to computer manufacturers by means of a no-fee licence.

www.cyrix.com

PCs boast cool feature

Siemens Computer Systems has launched new PCs for the European business computer market. The new four-model Scenic series is built around custom-designed Siemens motherboards.

These feature a number of new functions including system monitoring, internal USB port for chipcard readers and capabilities to support the next generation of Pentium III processors up to speeds of 500MHz.

Thermal management is also a new feature: a multi-level management system based on a new Siemens microcontroller and a single internal cooling fan. This regulates processor and power supply temperature using a special hood to direct airflow as required, removing the need for separate processor and power supply fans.

In addition, optional insulation on the hard disk unit and insulating mat for the front panel make the Scenic 600 and 800 models almost silent.

www.siemens.co.uk/cs

Guard against misuse and abuse

Alerts, a powerful weapon against fraudulent or unauthorised use of corporate computer systems, will be launched worldwide on Friday by Categoric, the Anglo-American software company.

The software package sits on existing IT systems and can be tailored to monitor the risks highlighted by an organisation, *writes Eric Russell.*

It analyses the information moving in and out of a computer and compares it with a predetermined set of rules. Any operation deemed illegal is notified automatically to management by e-mail, mobile telephone, pager, fax or web site.

Categoric, previously known as Compulogic, claims Alerts is the first stand-alone, business-wide detect and alert system.

The software can be incorporated into most business data systems and can access popular personal office tools such as Microsoft Word and Excel, relational databases and data warehouses.

In banking, for example, Alerts could monitor movements between trading accounts over a certain sum, check totals over a given period of time, or report transfers to unauthorised accounts.

www.categoric.com

BT to sell e-mail phone

British Telecommunications is to start selling the first UK e-mail phone, the Easicom 1000. Largely inspired by the last generation of French Minitel, it will allow anyone to send and receive e-mail, send faxes and go e-shopping.

Easicom 1000 will not offer world wide web access, but it will allow travel reservations, home banking operations, and the ordering of books and CDs through specific outlets.

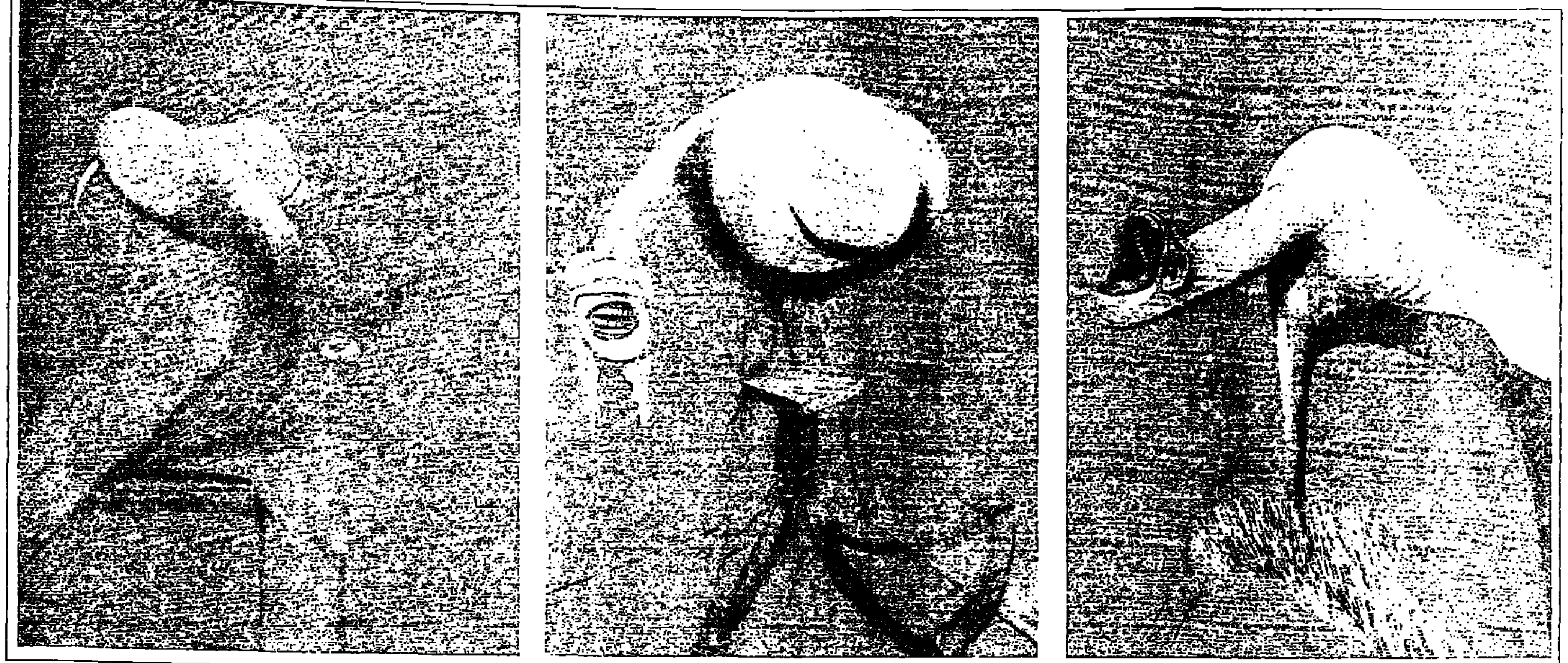
The cost of sending an e-mail will be about 20p, with offline e-mail composing and reading. With this basic internet device BT aims to reach the UK household that either will never buy a PC or wants another e-mail access in the house.

www.bt.com

Christopher Price

Tim Jackson's column resumes next week.

THE ARTS



The work that brought Bacon fame overnight: 'Three Studies for Figures at the Base of a Crucifixion', 1944

Draughtsman comes out of the closet

Much excitement has been generated by the drawings Francis Bacon left behind but never acknowledged, writes **William Packer**

Francis Bacon a draughtsman? Who would have thought it? The discovery of a great many drawings among the mass of material and detritus that Francis Bacon left behind unsorted in his studio at his death in 1992 has generated a certain amount of excitement among Baconians. For it was always understood – and Bacon himself was always at pains to make sure it was understood – that he never drew. "I often think I should [work from sketches and drawings], but I don't," was his answer to the critic David Sylvester in 1962. "It's not very helpful for my kind of painting." Whom, then, was he deceiving: the public or himself?

But it is hard to see what all the fuss is about. Leaving aside the view of those who take it as self-evident that he couldn't draw in any case, it all depends upon what is meant by drawing. There is the objective study directly from life or nature for purposes of information and understanding: there is the sketch or proposal for the larger work, more or less finished in itself, testing and resolving problems of composition and effect: and there is the general toying with ideas, sometimes hardly more than doodling, to see what chance or the subconscious might throw up. Add to that the long-established convention of regarding anything worked on paper as a drawing, and the question grows ever more tangled. Draw in the paint, draw with the paint, our art-school tutors used to say, long ago.

But then Bacon was never at an art school himself and had no formal training of any kind. Few of his early works survive, and the transition from interior designer, as he was for a while as a young man, to mature artist remains obscure – though what has come to light suggests a more sophisticated painter than was once supposed: and who knows what help he may have had from his artist friends. Whatever the actual case, it was the small triptych of 1944, "Three Studies for Figures at the Base of a Crucifixion", that caused him to wake one morning, at the age of 35, to find himself famous.

To look at this quite remarkable work, in the new display of seven of his earlier paintings dating from 1944 to 1963, it is hard to believe that drawing had no part in it. We should only remember, perhaps, Bacon's circumstances in the 1940s – and in particular his working friendship with so knowing an artist as Graham Sutherland, who drew and worked on paper all the time.

It is manifestly working material, much of it scrappy, tatty in its present state, made to be used, thought about and then discarded

Bacon's denial, or rather his studied dissembling on the matter of drawing, may well reflect the awareness borne in on him then: that although his essential image was and would remain the figure, it was the academic disciplines of the life room that were so conspicuously absent from his experience. It was that objective study, perhaps, based upon direct observation and analysis, that he meant by the drawing he always said he didn't do, that wasn't "very helpful" to him. Working close to an artist as sophisticated as Sutherland, who was steeped in just such academic discipline yet moving, through the 1940s, into an expressive freedom beyond it, he was readily persuaded that it didn't matter.

Bacon always jealously guarded his expressive freedom, to improvise and react spontaneously in his work. He was, so Sylvester tells us, "extremely insistent, with all his talk of accident and chance, upon the importance and value of sudden and unexpected events in the course of his pictures' execution. And he doubtless feared that owning up to making sketches might have lessened the force of such talk." Sylvester goes on to confess, somewhat wryly, that in all the long series of conversations, begun in 1962, that he had had with Bacon, "I courteously refrained from mentioning a series of small pencil-sketches for paintings which I had seen in the endpapers of his copy of a paperback edition of poems by T.S. Eliot. However, I had been gullible enough not to have realised that these were but the tip of an iceberg."

The Tate is now showing the works on paper by Bacon which it has lately acquired. The period they cover is roughly consonant with that of the paintings in the next room – all but one, a "Figure in a landscape" of 1952, dating from the late 1950s and early '60s, and the bulk of them coming from two spiral-bound sketchbooks filled between 1957 and 1961.

It is manifestly working material, much of it scrappy, mucky, often tatty in its present state, made to be used, thought about and then discarded. One or two of the drawings are taken a little further, all but small paintings in themselves, but most are mere fragments and suggestions made variously in Biro, pencil and oil paint, of the fleeting idea and image. A number of them relate directly to known paintings, but most do not. And why should they? All in all, they constitute a fascinating and valuable find, for the truer insight they afford into the mind and processes of the artist.

Francis Bacon – Works on Paper and Paintings: New Displays 1999, The Tate Gallery, Millbank, London SW1, until May 2. New Displays sponsored since 1990 by British Petroleum.

OPERA IN PARMA *VERDI'S 'LA BATTAGLIA DI LEGNANO'*

Risorgimento sentiments resurrected

It is not unusual to go into a production of a rarely performed opera and emerge understanding why the work gets so little attention. While this might have been the case with Verdi's *La battaglia di Legnano* at Parma, the audience in this north Italian city can at least boast that the work's political undercurrent is as fresh today as it was when Verdi composed the opera.

To avoid censorship, Verdi set the opera in the 12th century, when Milan and other Lombard cities formed the Lombard League and finally pushed the invading Germanic hordes of Frederick Barbarossa back over the Alps. The turning-point in this campaign was the battle that took place at Legnano, a small town north of Milan.

In the late 1840s, when the opera was written, Milan and much of northern Italy was still under Austrian rule. Followers of the Risorgimento movement, Verdi included, wished to unite the Italian peninsula under a single independent state, and understood well that their success depended on a strong sense of national unity. The story of how Milan and other bickering cities in Lombardy united against a common enemy was therefore highly suitable for the time, with Italy still made up of independent kingdoms.

Although today there is no need for Italy to fight off a foreign military power, the country's national unity has been shaken by calls for independence in the industrialised north, tired both of Rome's interference and having to share out its wealth with a backward and impoverished south. One is therefore left wondering whether this staging of *La battaglia di Legnano* was supposed to fire nationalist feelings for a united Italian state or for an independent northern republic. Either way, it seems unlikely that the opera was a casual choice for the management at Parma's Teatro Regio.

It came as somewhat of a disappointment, therefore, that a production with such a colourful context should fail to shine overall. Bound within a score that has more than its fair share of percussion and brass, the Emilia Romagna Symphony Orchestra made the most of the work's rare contemplative moments under the precise conducting of its new French music director, Patrick Fournillier. While there were interludes of high pathos during the chorus scenes, particularly in Act 3 when Arrigo is elected as one of the Knights of Death before going into battle on a suicide mission, wind and brass instruments sometimes broke through the strings in a jarring way.

Neither Cesare Catani's Arrigo, nor Alberto Gazale as Rolando, managed to display singing that was more than adequate. This allowed Fiorenza Cedolins to take centre-stage as the only voice worthy of note in the entire cast. Although Cedolins fell short in some of the fast-moving virtuoso passages required of her role as Lida, the expressive range of her voice was a joy to hear, particularly in the lengthy high-pitched passages, where her voice retained its control and took on a rare glass-like quality.

The entire production would have lost much of its allure, had it not been for Carlo Savi's ingenious sets composed of high stone towers, which were assembled to form interior as well as exterior scenes. Savi's dramatically romantic use of dry ice, both on stage and as clouds scudding past a moonlit sky, set the tone for the production's visual design. There was only one drawback: the time needed to wheel the bulky towers into position made the scene changes far too long.

Luciano Chianese

Fiorenza Cedolins as Lida: the expressive range of her voice was a joy

MUSIC IN NEW YORK

Played for the record

When major record labels bother to make a new orchestral recording these days, chances are that it's as a "live" performance – or rather the recorded highlights from several live performances, spliced together and digitally edited.

Last weekend, the New York Philharmonic played Beethoven's Piano Concerto No. 4 and Liszt's Dante Symphony while simultaneously cutting a pair of records for Teldec. The venue was the acoustically stuffy Avery Fisher Hall, which forces orchestras to "overplay". The Philharmonic thus over-compensates with a bullied, combative sound. Not what anyone would hope to hear on a CD.

It's no secret that recordings are cheaper if done live, and there is the added chance of heightened spontaneity which comes when musicians on stage communicate with several thousand enraptured fans. So live recording is becoming the norm. Yet when there's no audience present an orchestra can play more lightly, more airily if they want, unburdened with the work of projecting to the back of the hall.

In the Beethoven, French-born, American-based Hélène Grimaud was the pianist, and what more could we have asked for: a superlative technique; a strong and intelligently used left hand; effective pedaling that kept her tone warm, while the layers and counterpoint remained clear; and most importantly, she unfailingly delivered original, inflected conceptions of the music. Sometimes she was maddening, for idiosyncratic runs up the keyboard in the third movement, but hers is not a generalised interpretative style. It would be easy to argue that she stands, along with Kissen and Andsnes, at the top of the under-30s pianists.

The orchestra sounded much less splendid than Grimaud, although Carter Brey's supple cello solos in the third movement blended handsomely. The NYPO has never lacked for soloist-calibre section principals, but corralling the whole band into a well-oiled and cohesive group seems a most difficult task.

Kurt Masur, the Philharmonic's out-going music director, wasn't interested in the subtle or the pretty for Liszt's Dante Symphony. It was a beefy, loud reading, without much attention paid to texture, colour or clarity. And although the contrasts were pale, with so much happening at the same level of pitched intensity and magnification, there was serious high drama. Masur told a story I was compelled to follow, and that's at least one standard for a success.

For the quasi-spiritual finale, the American Boychoir (well trained by James Litton) was stationed up in the heavens – the 3rd tier balcony – for a proper celestial effect. For the final pages Masur chose Liszt's original version, ending with the much-preferred mood of serene and quiet. Still, it will take the best of Teldec's recording engineers to file down the Philharmonic's tonal edginess. If only they could fix up Fisher Hall in the same way for the real "live" audience.

Pierre Ruhe

INTERNATIONAL

Arts Guide

AMSTERDAM

OPERA
Netherlands Opera, Het Muziektheater
Tel: 31-20-551 8911
Die Zauberflöte: by Mozart. Conducted by Hartmut Haenchen in a revival of Pierre Audi's staging co-directed by Saskia Boddeke; Mar 5, 8

BERLIN

OPERA
Deutsche Oper
Tel: 49-30-34384-01
Rise and Fall of the City of Mahagonny: by Kurt Weill, libretto by Brecht. New staging by Günter Krämer, conducted by Lawrence Foster, with designs by Gottfried Pilz and Isabel Ines Glathar; Mar 4

CLEVELAND

EXHIBITION
Cleveland Museum of Art
Tel: 1-216-421 7340
www.clemusart.com
Diego Rivera: Art and Revolution. Major retrospective of the Latin American painter and muralist pioneer. Features 125 works including public and private loans from Europe, Japan and Mexico; to May 2

COLOGNE

EXHIBITION
Wallraf-Richartz Museum
Tel: 49-221-223 82
www.museenkoeln.de
Arendt de Gelder (1645-1727): first monographic exhibition devoted to Arendt de Gelder, one of Rembrandt's most prominent pupils. The show includes 58 paintings and 13 drawings as well as 25 graphic works by Rembrandt; to May 9

EDINBURGH

EXHIBITION
Scottish National Portrait Gallery
Tel: 44-131-624 6200
John Ruskin: exhibition exploring the influence of the Victorian critic and theorist. Includes drawings, watercolours and photographs; to Mar 7

GLASGOW

OPERA
Scottish Opera, Theatre Royal
Tel: 44-141-332 9000
The Magic Fountain: by Delius. Conducted by Richard Armstrong in a new staging by Aidan Lang, with designs by Ashley Martin-Davis; Mar 4, 6

LILLE

EXHIBITION
Palais des Beaux Arts
Goya: un regard libre. Small-scale exhibition which explores the range and peculiarities of the painter's work. The 50 works on display include loans from around the world; to Mar 14

LONDON

DANCE
Sadler's Wells
Tel: 44-171-863 8000
Arc Dance Company: The Return of Don Juan, in a new staging by Kim Brandstrup, starring Irek Mukhamedov. With an original score by Kim Helweg; Mar 2, 3

EXHIBITIONS
National Gallery
Tel: 44-171-839 3321
Orazio Gentileschi at the Court of Charles I: first-ever retrospective of the 17th century Italian painter, friend to Caravaggio, and Court Painter to Charles I. Includes a group of works from the Queen's House in Greenwich, sold after the king's execution and never seen together since; from Mar 3 to May 23, then travelling to Bilbao

OPERA
English National Opera, London Coliseum
Tel: 44-171-632 8300
● La Traviata: by Verdi. Michael Lloyd conducts a revival of Jonathan Miller's production; Mar 2, 5
● Parsifal: by Wagner. Conducted by Mark Elder in a new staging by Nikolaus Lehnhoff, with sets by Raimund Bauer and costumes by Andrea Schmidt-Futterer. Cast includes Kim Begley and Jonathan Summers; Mar 3, 6

MUNICH

CONCERTS
Philharmonie Gasteig
Tel: 49-89-5481 8181
● Bavarian Radio Symphony Orchestra: conducted by Lorin Maazel in works by R. Strauss and Couperin; Mar 4, 5
● Beethoven Academie: conducted by Christopher Hogwood in works by Mozart and Haydn, with piano soloist Stefan Vladar; Mar 3
● Sinfonia Varsovia: conducted by Yehudi Menuhin in works by Mendelssohn-Bartholdy and J. Brahms; Mar 2

JAZZ
Philharmonie Gasteig
Tel: 49-89-5481 8181
B B King: performance by the blues guitarist; Mar 6

NAPLES

EXHIBITION
Museo di Capodimonte
Mattia Preti between Rome, Naples and Malta: first of three special exhibitions marking the 300th anniversary of the death of Mattia Preti (1633-1699), the southern Italian painter known as 'Il Cavaliere Calabrese'. The show emphasises the influence of Caravaggio, and includes about 60 paintings and 30 drawings by Preti and his contemporaries; from Mar 5 to Jun 11

NEW YORK

EXHIBITIONS
Metropolitan Museum of Art
Tel: 1-212-879 5500
www.metmuseum.org
● Masterpieces of Photography from the Gilman Paper Company: 45 of the greatest 19th century photographic works from the collection; to May 23
● Picasso: Painter and Sculptor in Clay. Seen last year at London's Royal Academy, this show brings together 175 ceramic works by Picasso, mostly created between 1947 and 1962; from Mar 3 to Jun 6

OPERA
New York City Opera, New York State Theater
Tel: 1-212-870 5570
www.nycopera.com
● Lizzie Borden: by Jack Beeson. New production conducted by George Manahan in a staging by Rhoda Levine, with Phyllis Pancella in the title role; Mar 6
● Madama Butterfly: by Puccini. Conducted by Guido Johannes Rumstadt in a staging by Mark Lamos first seen in November, with sets by Michael Yeargan and costumes by Constance Hoffman; Mar 7

PARIS

EXHIBITIONS
Musée d'Orsay
Tel: 33-1-4049 4814
www.Musee-Orsay.fr
● Gothic Revival: Architecture and Decorative Arts of Victorian England. Display examining the fascination of mid-19th century artists with medieval society, with particular emphasis on the nascent Arts and Crafts movement; from Mar 2 to Jun 6
● Lewis Carroll: photographs by the author of Alice in Wonderland, of subjects including the young Alexandra Kitchin, and the actress Ellen Terry; from Mar 2 to Jun 6

OPERA
Opéra National de Paris, Opéra Bastille
Tel: 33-1-4473 1300
www.opera-de-paris.fr
Macbeth: by Verdi. Conducted by Gary Bertini in a staging by Phyllida Lloyd, with designs by Anthony Ward. Cast includes Jean-Philippe Lafont and Maria Guleghina; Mar 2, 5

Opéra National de Paris, Palais Garnier
Tel: 33-1-43439696
www.opera-de-paris.fr
La Clemenza di Tito: by Mozart. Conducted by Ivor Bolton in a staging by Willy Decker with designs by John MacFarlane. Cast includes Theo van der Walt and Christine Goerke; Mar 4, 7

ROME

EXHIBITION
Galleria Nazionale d'Arte Moderna
Tel: 39-06-322 981
Picasso 1937-1953: The Italian Years. Around 70 works, including paintings, sculptures, ceramics and drawings, from the period between 1937 and 1953. Includes loans from the Picasso Museum in Paris; to Mar 14

SEATTLE

OPERA
Seattle Opera
Tel: 1-206-389 7676
www.seattleopera.org
Vanessa: by Samuel Barber. Conducted by Yves Abel in a staging by Sharon Ott. The title role is sung by Sheri Greenawald/Ashley Putnam; Mar 3, 5, 6

TV AND RADIO

● **WORLD SERVICE**
BBC World Service radio for Europe can be received in western Europe on medium wave 648 kHZ (463m)

EUROPEAN CABLE AND SATELLITE BUSINESS TV

● **CNN International**
Monday to Friday, GMT:

06.30: *Moneyline with Lou Dobbs*
13.30: *Business Asia*
19.30: *World Business Today*
22.00: *World Business Today Update*

● **Business/Market Reports:** 05:07; 06:07; 07:07; 08:20; 09:20; 10:20; 11:20; 11:32; 12:20; 13:20; 14:20.

At 08:20 Tanya Beckett of FTTV reports live from LIFFE as the London market opens.

PETER MARTIN

Real-time accounts

It is high time companies abandoned their annual reports and provided shareholders with more frequent information

Why do today's high-technology companies report to their shareholders on a rhythm derived from the agricultural calendar?

Or, to put it another way, when will bosses who lecture their subordinates on the overwhelming need for speed and real-time data start to deal with their owners on the same basis?

In short, when will the annual report meet its well-deserved end?

These questions were sparked by a recent UK government report on reforming company law.* They are relevant to any company, anywhere.

The report devotes only one paragraph to the issue. It highlights three trends – the pressure for more frequent reporting, the existence of powerful software to manage company finances and the availability of the internet – and asks whether these together "raise questions as to the appropriateness of aspects of company law for the information age".

Let no one ever say the English are losing their talent for understatement. In fact, these three trends completely undermine much of current practice in accounting, auditing, corporate governance and investor relations.

At least the report recognised the issue. Other standard-setters, wrestling with arcane aspects of corporate process and accounting conventions, risk missing the big picture.

Finance directors, accountants, regulators and stock exchanges must seize the opportunities created by the intersecting trends indentified in the report – and use them not to raise an eyebrow at the current framework of corporate legislation but to transform the nature of financial reporting.

Consider what is happening. Big companies are creating, at accelerating speed, integrated computer systems such as SAP. These greatly simplify the task of preparing accounts. By forcing companies' global operations into a single reporting framework, they eliminate much of the laborious reconciliation and consolidation that delays corporate results.

Much internal reporting in big companies is moving on to a faster timetable. Auditors are struggling with concepts such as continuous auditing, in which they certify and monitor the overall quality of the financial reporting system, carrying out random tests to ensure its integrity.

Constantly updated internal information, standardised internal systems and continuous auditing create the possibility of more frequent release of audited information to shareholders.

US companies routinely report every quarter; there is no reason why they could not promptly shift to a monthly cycle. British companies usually report every six months; they should move to quarterly reporting immediately, with monthly frequency a realistic target.

Continental European companies still often give really comprehensive figures only once a year – but since SAP is a German company it is hard to believe that they do not have much more frequently updated internal numbers which they could, if they chose, reveal to the world.

There is no point in releasing information much more speedily just to give the financial press something to write about. It makes sense only in the context of a transformed relationship with shareholders.

The package of information that shareholders receive should – as Alan Benjamin of the software company QSP suggested in his contribution to an earlier British study, include realistic performance indicators of a non-financial sort: market share, quality ratings, customer turnover and so on.** It might, as a US Financial Accounting Standards Board study is considering, include "forward-looking information", such as "opportunities and risks and management's plans, including critical success factors".***

And it should certainly make access and analysis of these data much more accessible to users. Glossy annual reports and glamorous corporate websites do not achieve this. At least US public companies are forced, by the Securities and Exchange Commission's Edgar system, to file standardised reports in electronic form. But for the most part these are merely annual or quarterly reports which are hard to capture and manipulate.

An imaginative company would make its existing data available on its website in manipulable formats, such as spreadsheet files. Long-run data, in a standardised format, is also badly needed. Once these steps are taken, the way is clear for more frequent reporting.

Today's annual report is, like a Victorian snapshot, an artificial moment in time, laboriously processed. Just over a century ago, the Lumière brothers broke free, to bring us the motion picture. Business activity, like the life that the movies capture, is a flow, not a series of discontinuous steps. It is time for corporate reporting to make that switch.

Modern company law for a competitive economy, Department of Trade and Industry, 1999. www.dti.gov.uk.
***The 21st century annual report. Institute of Chartered Accountants in England and Wales. 1998. www.icaew.co.uk.*
****Business Reporting Research Project, Financial Accounting Standards Board. www.fasb.org*

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LETTERS TO THE EDITOR

Caboose on the inflation train

From Mr Howard B. Garber.

Sir, We should not pat ourselves on the back for a job well done against inflation ("Inflation's great disappearing trick", February 24). We are looking in the wrong place for indications and therefore receiving the wrong signal. A misconceived adversary is an adversary not easily subdued.

This article quoted the Humphrey-Hawkins congressional testimony of Alan Greenspan, the Federal Reserve chairman, pointing to evidence that US wage inflation is under control. Hence, by implication, all aspects of US inflation are under lock and key.

With all due respect to the chairman, I beg to disagree. Wage growth is the last car of the inflation train. Producer prices are the first cars of that train. The next cars hitched to the train – consumer prices and, in this highly baptised service age, service costs – will appear later in the cycle. Once consumers begin paying more for goods and services, those that work will then require and demand higher wages. Wage inflation, therefore, is the caboose of the inflation train – the last train car to be seen.

Last month the December 1998 US producer price index (PPI) was released indicating an increase of four-tenths of 1 per cent. This is an annualised increase of 4.7 per cent. This month, the January PPI rose by five-tenths of 1 per cent: a 6.6 per cent annualised increase. Two consecutive months sometimes merely create an uptick. Sometimes, however, a trend is created.

Money growth precedes inflation that it may cause by approximately 18 months. Thus, with a foundation of six months of unusually high monetary growth in the last half of 1997 as support, it is a good bet that more higher-than-expected PPI monthly increases lay just ahead. In fact, all US monetary aggregates continue to rise today at a rate higher than they did in the second half of 1997. This indicates that all forms of inflation – producer, consumer, service and wage growth – will continue to increase well into the second quarter of next year.

Howard B. Garber,
2305 N Commonwealth Avenue,
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Il 60614, US

Blind spot

From Mr Robert Head.

Sir, Tony Blair, the UK prime minister, launches his pro-euro changeover plan citing "Britain should join a successful single currency" (February 24). Good point, Mr Blair. The Confederation of British Industry, by its blind support of joining the euro, is admitting that big British business can only compete via a weak currency. Take a look at the headline on the Currencies and Money page in the same issue: "Euro slides again over policy disarray" and you will find not only the reason behind the CBI's support but coincidentally the best reason why Britain should never dump the pound – never.

Robert Head,
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EU must stand up to US threats in the public interest

From Mr Barry Coates.

Sir, It is true that the breakdown of talks on the biosafety protocol could "have serious ramifications for international trade" – by calling into question the ability of governments to act in the public interest. ("Breakdown of UN talks on GM crop treaty threatens to heighten trade tensions", February 26.)

The US has already threatened trade sanctions in response to bans on GM organisms. Take the example of Egypt, which in June 1998 tried to ban GM imports from the US unless they were properly labelled. The US threatened to ban all trade in soya beans and maize and, sure enough, Egypt reversed its decision.

Such threats to other developing countries and to the European Union are likely in the forthcoming months. The potential for these threats to escalate into a bigger trade dispute has already been shown by the US reaction to the EU's support for smallholder banana growers in the Caribbean.

The biosafety protocol is a precedent-setter. Either it will assert that the public interest must come before free trade, or it will be used by US trading interests to hold the EU and developing countries to ransom. The US has made its position clear. It is time the EU did too.

Barry Coates,
director, World Development Movement,
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How businessmen are failing their English language test

From Ms Carol Gourlay.

Sir, I refer to Sathnam Sanghera's article "Language becomes a barrier to securing export deals" (February 20). British business is failing to communicate not only in other languages but also in English. More and more people, in both the public and private sectors, now speak their own corporate dialect, barely comprehensible to outsiders.

Organisations choose their own meanings for words – and expect the rest of us to understand. They insist on using long, abstract phrases instead of short, concrete nouns. Some abstractions are now so over-used that they are losing all meaning: "value", "integration", "model", "leverage" and "paradigm" come to mind.

Almost everyone wants to sell a "business solution". I think it was Scott Adams' Dilbert who suggested that "a business solution is suspiciously like a product, only it costs more". I was at a conference recently where someone asked about "the sustainability of resources for this new model". What he meant was: how much is it going to cost?

English is a strong, flexible language with a rich vocabulary capable of expressing fine nuances. As Mr Sanghera points out, it is the most widely used business language, so those of us with English as a mother tongue are extremely fortunate. We should use it with more precision and vigour.

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Race against failure

Michael Holman and **William Wallis** explain the formidable challenges facing Nigeria's newly elected civilian ruler

It is a measure of Africa's plight that hopes for the continent now seem to rest on Nigeria.

Debilitated by decades of mismanagement and corruption, there are doubts that the country can manage its own recovery, let alone inspire a continent in crisis.

But with South Africa battling to overcome its apartheid legacy; with Angola back at war; with leaders of the so-called "African renaissance" at each other's throats, and conflict in the Congo sucking in its neighbours – with all this, Africans need Nigeria's new civilian government to succeed almost as much as Nigerians do.

And while the world can stand aloof from these far-off disappointments, Nigeria simply cannot be ignored. It is just too big, its problems too pervasive, its potential too lucrative.

One in six Africans is Nigerian. Its external debt of $29bn is large enough to worry creditors. It is the world's 12th biggest oil producer, with huge reserves eyed by multinational heavyweights: enough to make Royal Dutch/Shell plan an $8.5bn investment over the next five to eight years.

Olusegun Obasanjo, the former military ruler whose election as civilian president was confirmed yesterday, faces a daunting task to bring stability back to his country after 15 years of dictatorship by his fellow soldiers. His first job will be to establish the credibility of his mandate.

Perhaps the most difficult to convince will be his own Yoruba ethnic group, many of whom believe he is a stooge of the northern political and military establishments which bankrolled his campaign and in some minds "pre-determined" his success.

The Yoruba voted massively in favour of his opponent, Chief Olu Falae, who is also one of their own and who has rejected the poll as a "farce". This could lend additional strength to those of them who feel they have little to gain from remaining within the federation.

He also has to establish his mandate in the oil-rich Niger delta, where the Ijaw people are up in arms both against misrule from Abuja, and against the oil companies, from whom they are demanding a bigger share of the oil wealth.

In a country that produces 2m barrels of oil per day, it is a source of huge popular anger that so little of it reaches the petrol pumps. Nigerians are as fed up with having to queue for days in order to fuel their mobility, as they are with the rest of military rule. But the oil refineries are at a virtual standstill. Distribution of what little fuel exists is still in the hands of soldiers and their friends.

If a western-backed rescue plan is to be effective, Gen Obasanjo has no time to lose. He has to endorse an agreement with the International Monetary Fund, reached by the outgoing military government.

Everything rests on this. Without agreement, no rescheduling of the country's external debt will be possible, and nor will this month's donors' meeting, chaired by World Bank come up with fresh loans.

Meeting the terms means pressing ahead with privatisation of state-owned utilities, as well as the oil refineries; making more transparent the operations of the state owned oil company and the central bank; and to reduce the level of arrears on its external debt, most of which is owed to the Paris club of official creditors.

This may mean having to follow up Chief Falae's proposal to sell off part of the government stake in the oil sector, hitherto inconceivable for any Nigerian government, which has used the industry as a source of patronage.

Can Gen Obasanjo do it?

One of his strengths is a capacity to win over very different constituencies.

When he was a member of the Commonwealth "eminent persons group" that visited South Africa in 1986 he gained the respect of the white army generals in Pretoria, and won the hearts of the tough street kids of Soweto. The Afrikaner generals could talk to him as a fellow soldier who had served in the front line of the Biafran war. The children were captivated by a confident and avuncular figure who had visited Nelson Mandela in jail, in a process that helped set in train the negotiations that contributed to the end of apartheid.

As a founder member of Transparency International, the Berlin-based anti-corruption lobby, his promise to weed out corruption carries more weight than if it were to come from just about any other politician.

"Corruption is a greater threat to African development than Aids," he told a conference in Berlin when the movement was launched.

And as a member of the informal club of elder statesmen – through which he has forged friendships with Jimmy Carter and Jim Callaghan – he has an understanding and perception of international relations that should stand him in good stead when dealing with Nigeria's creditors and appealing for fresh funds.

But his track record on economic reform is not encouraging. He spoke out against the last reform programme and has been cautious in his campaign comments on the economy.

Nigeria faces two possible outcomes. It could become a country with an enclave economy, in which foreign investors run a profitable oil and gas business, rather like Angola. But the proceeds will be inequitably distributed, siphoned off by a civilian elite in cahoots with the military. It will continue to service only part of its debt – namely the commercial bank debt – and continue to run up arrears on Paris Club debt.

Or it could slowly recover from decades of mismanagement and corruption, during which $280bn in oil revenues have been squandered over last 25 years. Instead, it could become, as Brian Wilson, the UK trade minister, told a visiting Nigerian ministerial delegation last week, "a powerful, industrialised nation attracting back its educated and entrepreneurial middle classes".

The next three months will be decisive, in which his relationship his former comrades in the military will be critical. Will he turn out, as his critics claim, no more than the civilian face of a de facto military regime? True, his campaign was heavily financed by the army. But maybe only a soldier can deal with an army desperately in need of depoliticising and retraining.

If he can overcome vested interests and form a credible, talented cabinet drawn from people of quality, rather than financial backers, and whose members bridge the regional and ethnic divisions, there may be a chance.

But it will be long odds and a long hard path.

FINANCIAL TIMES

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Tuesday March 2 1999

Playing for time in Brussels

In spite of having barely three weeks left to reach agreement, France yesterday demanded and won a postponement in the European Union negotiations on reforming the common agricultural policy. It is hard to see what any delay can achieve. Capping the CAP is an essential precondition for any deal on Agenda 2000, the package aimed at a general reform of the EU finances. If that cannot be agreed before the end of this month, it probably will not be agreed before the end of 1999, at the earliest.

An outsider to the arcane process of CAP negotiations might think it logical that France, the most important farm producer in the EU, should be fighting a last-ditch battle to preserve the old system of price support, which has resulted in mountains of excess produce over the years. Nothing could be further from the truth. Thanks to 40 years of subsidies, France now has probably the most efficient agricultural sector in the EU. The majority of its farmers can compete extremely well on world markets without any subsidies at all. And yet they still demand their cash.

The farm reform package on the table is radical. It suggests substantial cuts in price support for cereals, beef and milk. Instead, farmers would get direct income support, skewed in favour of small farmers, and gradually reduced over time, to ease the transition. The key is that those subsidies should be steadily reduced. They must also be divorced from farm production, to be acceptable under World Trade Organisation rules.

Most of that France can accept. That is already a big advance. But Paris angrily rejects another suggestion, that part of the income subsidies should be paid from national budgets, not by Brussels. It would make big farm producers, like France, pay more than smaller ones, like Germany and the UK. It would make the farm ministers more responsible for their spending decisions.

France is playing for time, partly for internal political reasons. Lionel Jospin, the socialist prime minister, is determined to bind Jacques Chirac, the conservative president, into any deal he is forced into. Yet they will have to make concessions at the end of the day, if any agreement on Agenda 2000 is to be reached.

So will virtually all other member states. Spain will have to concede some limitation on the "cohesion" funds it gets from Brussels. Britain will have to admit that its budget rebate is not set in stone for eternity. Germany will have to carry on as by far the largest net contributor. These are all painful decisions in domestic terms. Without them, a fair deal on future financing will be impossible.

Chinese puzzle

The relationship between the US and China is in one of its mood swings, with the presence in Beijing of Madeleine Albright, the US secretary of state, seeming to highlight how little the countries have in common.

There is increasing US concern about China's acquisition of military technology and a justified anger at the treatment of dissidents. For the Chinese, the US is interfering in its "internal affairs" by raising the dissidents' plight and by considering a plan to upgrade Taiwan's missile defences.

The only apparent advance is the fresh intensity in negotiations over China's accession to the World Trade Organisation.

But even this could be an illusion, as the list of unresolved issues is long, and the pressure for a quick agreement comes from the need for the two countries to sign something when Zhu Rongji, the premier, visits Washington early next month.

Unless Mr Zhu overcomes domestic resistance to liberalisation, the US administration will find it hard to persuade powerful US industry lobbies to back a deal on China's WTO entry.

Trade aside, the difficulties in the Sino-US relationship raise questions about Washington's policy of "engagement". Why be generally conciliatory if the results include a build-up of missiles aimed at Taiwan and a human rights record that remains appalling?

Even with engagement, there is much inconsistency in US policy. The export of a US satellite for Chinese launch was approved in 1996 and halted last week. Policy becomes unpredictable when politicians in both countries choose to make the relationship the target during a domestic political debate.

Al Gore, the leading Democratic contender, will be made aware of those pressures during the presidential campaign when he will be obliged to show that he talks tough to China.

It is right to talk tough to China. But there is no real alternative to engaging China on as many fronts as possible. To allow China to retreat into itself at this stage of its development would be a serious error.

But the Chinese leadership must justify the political capital invested by the US administration. For a start, Beijing will do itself a favour by halting the increase in missiles being stationed opposite Taiwan.

And while internationalist leaders such as Mr Zhu and President Jiang Zemin are hindered by conservatives who see any concession as a sign of weakness, the risks to the Chinese leadership of alienating Washington are now greater than the risks of aggravating political opponents in Beijing.

Nigeria's poll

It was never going to be perfect. Inflating the electoral register, stuffing ballot boxes, and buying votes have been a feature of every Nigerian election since independence. The question is whether Saturday's presidential poll was so deeply flawed as to nullify the victory of former General Olusegun Obasanjo over Chief Olu Falae.

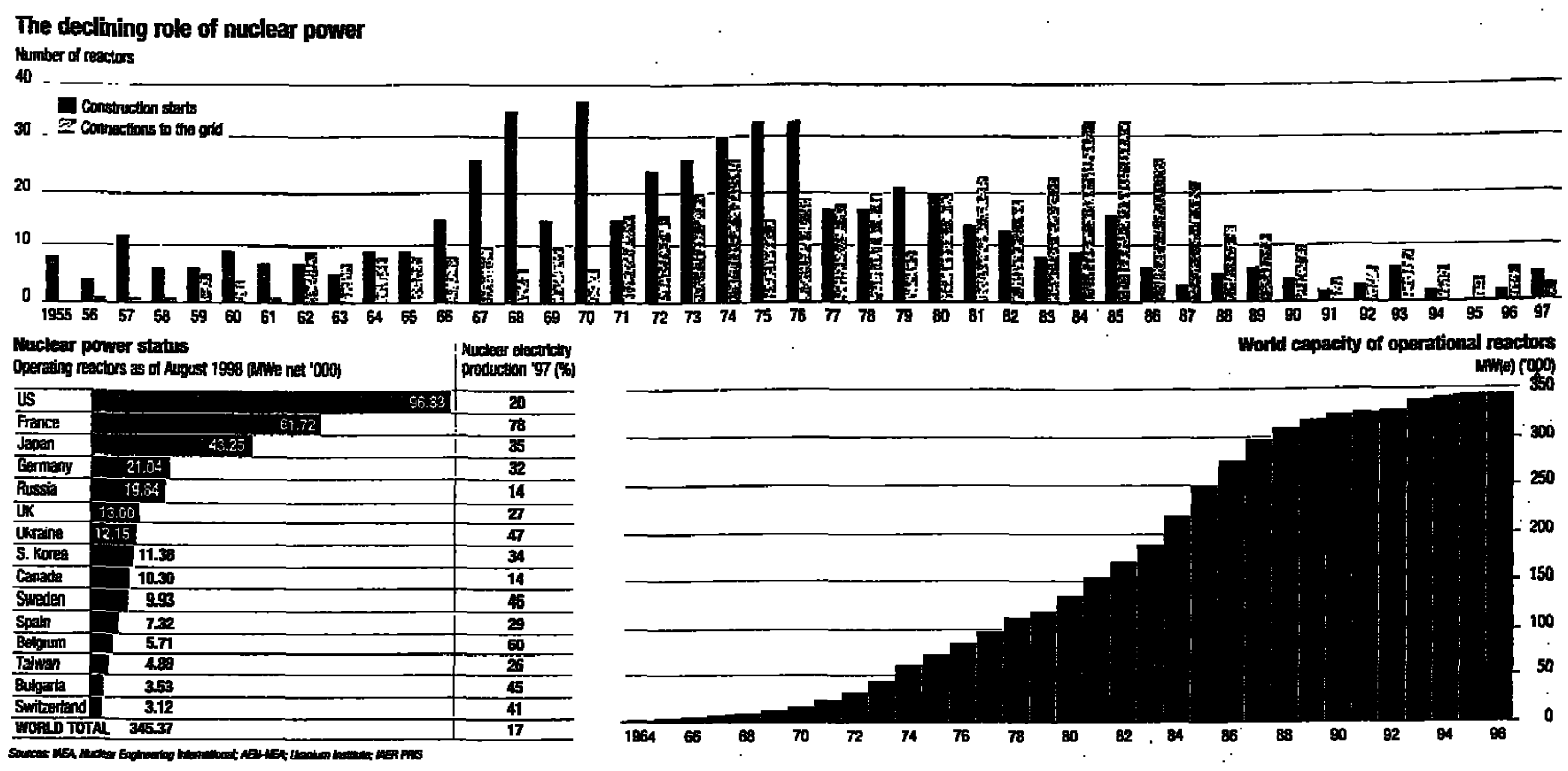
Fortunately Nigeria's timetable for the return to civilian rule anticipates litigious losers. The inauguration of the new president takes place at the end of May. This leaves enough time for Mr Falae to gather the facts to substantiate his claim. On the face of it, the case for nullifying the outcome is not strong enough. Certainly, irregularities occurred. Equally certainly, both sides were guilty. Gen Obasanjo received nearly 19m votes compared to just over 11m for his opponent. It would have required rigging on an extraordinary scale, even by Nigeria's standards, to account for Gen Obasanjo's large margin of victory.

But international observers have serious doubts about the conduct of the poll, and it is now up to the courts to decide. In the meantime, it is essential to Nigeria's stability that Gen Obasanjo presses ahead with the selection of his new administration. Even before the dispute, there was a strong case for a broad-based government. It is now compelling. Unless Gen Obasanjo bridges the political divide, retains the confidence of the military, and enhances his authority by forming an administration which embraces all three parties, he will find it hard to implement the reforms so urgently needed.

The need to consolidate Nigeria's fragile democracy would be reason enough for a government of national unity, pursuing a programme of economic and political reform. High on the agenda should be a constitutional conference which would address the issues that strain the Nigerian federation - the calls for more autonomy for the regions, and the demand of the oil producing Niger delta region for a greater share of the oil exports.

Critical to the success of any constitutional change is the support of the military, for the generals will remain a powerful force. Their co-operation will be essential if the armed forces are to be retrained and depoliticised. This can only be achieved by a united government.

But there is a further compelling reason for a broad-based cabinet. If Nigeria is to keep to an IMF agreement which opens the way to rescheduling its $29bn external debt and attracting new loans, it must ensure transparency in the operations of the state owned oil company and the central bank. Only a government which has the widest possible support has any chance of meeting the IMF condition which goes to the heart of Nigeria's endemic corruption.



Time for a new nuclear order

It is a bitter irony that public concern may encourage governments to enhance the life of ageing nuclear reactors rather than build new, safer ones, writes Andrew Taylor

It is not much fun being a nuclear power engineer at the end of the 20th century.

World orders for new power stations are at the lowest ebb since the 1950s and there is little prospect of improvement. Nuclear power generates about one-sixth of the energy world-wide and one-third in Europe, the world's largest market. Yet the industry, battling against environmental, political, safety, commercial and economic concerns, appears to be approaching meltdown.

The latest bad news comes from Germany where the Socialist-Green coalition government has pledged to pull out of nuclear power. Germany is only the latest in a long line of western governments to announce plans to phase out or halt nuclear power investment.

Sweden is committed to phasing out nuclear power by 2010, although it has yet to close a single plant. Belgium and Spain have imposed moratoriums on building new nuclear stations. Britain and France have surplus electricity capacity and no current plans to expand further. No new nuclear power stations have been ordered in the US since 1978, the year before the nuclear accident at Three Mile Island.

Indeed, in all of western Europe and North America, only one new plant is under construction – at Civaux near Poitiers in central France. Finland has plans to build new nuclear plants, but it will not decide until later this year whether to proceed with the country's fifth power station.

Wolf Schmidt-Kuster, secretary-general of ForAtom, the European atomic energy forum, is concerned that the collapse in new power station orders could further undermine European nuclear engineering groups such as Siemens of Germany, ABB, the Swedish-Swiss engineering group, Framatome of France and British Nuclear Fuels (BNFL).

The turnover of Siemens' nuclear division, currently about DM2bn (£690m), has been about 40 per cent lower in cash terms during the 1990s than during the previous decade. The shape of its business has changed substantially with about 90 per cent of work servicing existing power stations rather than building new ones.

The group says large contracts to modernise older, less efficient nuclear plants are helping it to develop technology. But Siemens fears a loss of engineering skills unless technical developments are followed by new construction orders – which seems unlikely.

The erosion of European technical expertise could have extended ramifications. Following the earlier collapse of the north American market, two of the four US engineering groups which then dominated nuclear power export markets were bought by European companies: ABB bought Combustion Engineering for £1bn in 1989 and BNFL, in a joint venture with Morrison Knudsen, last year paid £730m for Westinghouse.

In the past, western nuclear power companies could draw on contracts in developing countries to see them through hard times at home. But now, not only have the prospects for nuclear power withered in emerging markets (as everywhere else), but western companies are not having things their own way for the business that does remain, Dr Schmidt-Kuster says western European companies face strong competition from Russia as well as, potentially, from Mitsubishi, Hitachi and Toshiba, which dominate nuclear power construction in Japan. Russia last year won an $800m (£449m) contract to complete a nuclear power station at Bushehr in Iran and has been asked to bid for three other Iranian reactors worth a total of more than $3bn.

Developing countries may be prepared to build more nuclear plants, but most lack the resources to pay for them. Countries still committed to nuclear power, such as China, Japan, South Korea and India are expected to scale back expansion plans in the face of currency problems, lower growth forecasts and other economic strains.

The overall effect, according to the Uranium Institute, is that only 30 nuclear power stations were under construction at the end of last year – well under 1 per cent of the world's total nuclear capacity. Many of these plants were ordered up to a decade ago. A third are either in China or former communist countries in eastern and central Europe.

So why is the business in these straits? Of course, there is a short and obvious answer: even the industry's most ardent supporter would hardly disagree with Greenpeace's assertion that nuclear power has failed to convince a "significant proportion of the population in many countries" that it is "a clean, cheap, safe or reliable energy source".

The most formidable hurdle, still to be resolved by most governments, is how to store safely the growing stockpile of spent fuel and waste, some of which will still be radioactive at the end of the next millennium. The International Atomic Energy Agency estimates that there were 200,000 tonnes of spent fuel sitting at reactor sites or in temporary storage at the end of 1997. Growing at 10,500 tonnes a year, this figure is expected to exceed 340,000 tonnes by 2010.

There also is considerable concern about nuclear safety in eastern Europe where there is a serious shortage of money for maintenance and for vital nuclear technicians.

But this is not the whole story. Public worries about spent fuel and leaking east European power stations carry most weight in rich western countries. But the nuclear industry is on the defensive everywhere, not just in the West. The underlying problem is that the economics of electricity is shifting away from nuclear power in favour of gas.

> **Extending the life of reactors may become the battlefield over nuclear power**

The capital cost of a nuclear power station, according to Adolfo de Ubieta, nuclear energy director at Unesa, the Spanish utility, is between $1,500 per kilowatt (kW) and $3,000/kW. This upfront cost represents almost two-thirds of the total cost of generating electricity. Uranium fuel, which is cheap and plentiful, accounts for just 12 per cent.

Compare that with a gas-fired plant: its capital cost is just $400/kW-$800/kW, under 20 per cent of the total cost; fuel accounts for almost 70 per cent. In other words, the operating costs are higher, but the capital costs are extravagantly lower.

The result is that gas plants can be completed and produce an income in under two years. Nuclear power plants take 10 years or more. And the main economic advantage that nuclear power has over gas – the lower cost of uranium fuel – is being eroded by the fall in all fuel prices caused by the oil price collapse.

In the past, public ownership and regulation might have shielded the nuclear industry from these economic effects. No longer. Power markets in the west have been liberalised and privatised over the past decade – most recently on February 19, when the European Union opened up the trading of electricity across European borders.

Even though the nuclear industry is beset on so many fronts, there are some grounds for suggesting that there still is some life left in the sector.

Even though few new plants are being built and fewer still planned, the existing ones are taking forever to close down, and some are having their operations extended. Like the uranium they use, nuclear power plants have a half-life too.

One of the biggest factors in the industry's favour is global warming, says Peter Hollins, managing director of British Energy, the UK's largest electricity generator. "Nuclear energy, unlike fossil fuel generators, produces virtually no greenhouse or acid rain gases, he says. "Nuclear power stations produce 34 per cent of of Europe's electricity annually saving 700m tonnes of carbon dioxide from entering the atmosphere. Nuclear power generates 17 per cent of the world's power, equivalent to 1.8bn tonnes of carbon dioxide."

Paradoxically, many western countries will not be able to meet the environmental commitments they signed at the Kyoto conference on climate change in 1997 if they close down their nuclear plants. Last year, British members of parliament of the powerful trade and industry select committee reported that the UK would be likely to miss the government's target of a 20 per cent reduction in carbon dioxide emissions "without a significant component of nuclear power generation in the fuel mix".

This, together with the low operating cost of nuclear power stations once built, means that European governments have found it easier to announce closure plans than actually shut reactors down.

The timetable for nuclear closures in Sweden has already slipped badly with the country's supreme court still to decide the fate of the first reactor planned for closure. Germany is also struggling to decide how best to pursue closures following the threat of large compensation demands from power producers and nuclear fuel reprocessors.

Some countries, such as Britain and Switzerland, have already approved extensions to the operating lives of old nuclear plants. Isabel Tocino, the Spanish environment minister, is looking to increase the output and operating life of its existing nuclear power stations despite the country's moratorium on new construction.

Over the next 10 years, the issue of whether to extend the life of old reactors – rather than close them down – may become the new battlefield over nuclear power. About 150 of the world's 430 operating nuclear reactors were built before 1980. Most power stations have an operating licence life of 40 years. So in the ordinary course of events, over one-third of all todays reactors would have to be decommissioned between 2010-2020. Many difficult decisions therefore loom about whether to close plants or to extend their operating life to limit global warming. It would be a bitter irony if, as a result of public worries about the safety of nuclear power, governments decided to extend the life of old (and inherently less safe) reactors, rather than to build new, safer ones.

OBSERVER

The feeling is Mutual

With South African companies heading for London like springboks leaping a wall, the image consultants have been glancing over the Boer boardrooms to see if what's good enough for laid-back Johannesburg's crumbling centre or plush northern suburbs will wash with the Square Mile.

So some attention has focused on life assurance giant Old Mutual, whose 4m policyholders this week finish voting on demutualisation. The next step is to list in London, but there have been mutterings whether chairman Mike Levett is the man to launch the 154-year-old insurer in the City. The media-shy Levett, who has been with Old Mutual for 40 years, is seen as a bit of a cold fish, though he's given credit for the strategic vision which turned Old Mutual's gaze outward from its home market.

Speculation about his successor centres on Richard Laubscher, the 46-year-old chief executive of Nedcor, one of the big four South African banks in which Old Mutual holds a controlling stake.

But Laubscher has troubles in his own backyard which should keep him busy for a while. The theory is he could be brought in to a senior job at Old Mutual with a view to succeeding Levett in London in a couple of years. So maybe there will be an orderly transition after all. Who says South African companies have nothing to teach the Old Country?

Sniffy suits

The world may be used to shell-suits, but what about smell-suits?

They're being run up in South Korea right now – and are apparently proving a big success with city dwellers who want to smell sweet even after a hard day at the office. The suits are made with fabric soaked in a chemical that contains scented micro-capsules that pop and release the odor when the wearer moves – or even gets bumped on a crowded subway train.

Three local fashion houses – LG Fashion, Essess Heartist and Kolon International – began selling the outfits last month and so far more than 4,000 suits, smelling of pine, lavender and peppermint, have been sold even before they've been advertised. The smell is said to last around three years – or 20 dry cleanings – but some male shoppers are not impressed, claiming they don't want to go home smelling like a bathroom. Might be better than smelling like an ashtray.

Never mind Nasdaq

With a sideways swipe at the market it left behind, the community website operator FortuneCity.com abandoned London last year in favour of more savvy surroundings in New York. Moaning about access to venture capital and pricey UK telecoms charges, its move undermined the idea that tomorrow's cybercompany can be located anywhere.

So it's a bit of a surprise to find the group has forsaken Nasdaq – the place for internet IPOs – in favour of listing on the German Neuer Markt. Peter Macnee, president and chief executive, explains that the group's venture capital backers are German and that they prefer to deal with the company and its shares on home ground.

He's also keen to stress that the group sees much of its expansion in Europe, launching French, Spanish, Portuguese and Dutch versions of its service.

"It was pretty natural in our minds that we should be listed over here," Macnee adds. Observer wonders if he'll be quite so chipper on the "red eye" from JFK as he flies in to chivvy his new investors.

After Kalff

Sometimes it takes a boardroom bust-up and a three month stopgap before you can install a new boss. In Amsterdam they appear to do these things differently.

Jan Kalff is still well over a year away from retiring as head of ABN Amro, but the Dutch bank is moving forward with no shortage of well-qualified internal candidates to succeed him.

Pulses raced a little last year when ABN Amro poached Tom de Swaan from the Dutch central bank where he was head of banking supervision and chairman of the Basle Committee of international banking supervisors.

Such upheavals are so rare in Holland that de Swaan, now serving as ABN Amro's chief financial officer, instantly moved into the frame as a potential successor to Kalff.

But the appointment of such a relative outsider would be quite a shake-up for the smooth-running ABN Amro, and the insiders' money is still on Jan-Maarten de Jong. He made way for de Swaan in the finance post and is now in charge of risk and joint head of the fast-growing international division.

Like Kalff before him, de Jong has spent his entire career at ABN. Best not upset the apple cart.

Donkey work

Acquisitions Monthly magazine meant to report that cables and construction group BICC had been divesting "assets" faster than BTR. On the way to the printed page, unfortunately, the "t" itself was divested. Now there's how to make an ass of yourself.

The Financial Times 100 years ago

Russian Petroleum
The Russian statistics of petroleum for 1898 give the total output for the Baku district that year as 485.9 million poods as against 422.4 millions in 1897 and 386.2 millions in 1896. The number of wells at work was 1,146 in 1898 against 917 in 1897 and 786 in 1896. The average yield per well exhibits a decline, possibly owing to closer boring. The average depth of the bore-hole was slightly grater than in 1897.

50 years ago

World's Ship Launchings
World ship launchings in 1948 numbered 872 ships of 2,309,743 tons gross of which 1,176,346 were from berths in Great Britain and Northern Ireland and 1,133,397 tons abroad. Britain's output represents 50.9 per cent of the total, compared with 56.7 per cent in 1947, 53.3 per cent in 1946 and 34.0 per cent in 1938. These figures are contained in Lloyd's Register of Shipping Annual Summary of Mercantile Shipbuilding of the World for 1948. They do not include warships and take into account only ships of 100 tons gross and upwards.

FINANCIAL TIMES
TUESDAY MARCH 2 1999

THE LEX COLUMN

Resurgent Renault

Once again, Renault has turned in exemplary results. Net income rose 63 per cent and operating margins more than doubled to over 5 per cent. So far, the restructuring Renault initiated in 1997, which began with the controversial Vilvoorde plant closure, has been a resounding success.

A surge in volumes led by the hot-selling Clio, Mégane and Twingo models, combined with sharply falling unit costs and a return to profitability in the commercial vehicle division, have helped dispel memories of Renault's troubled 1994-1996 period. Although still some 30 per cent below their July high, Renault's shares have outrun the French market by nearly 15 per cent in the last year.

Is this performance sustainable? The target of reducing the cost base by FFr20bn ($3.4bn) by 2000 does not seem in danger. But with Louis Schweitzer, chairman, echoing Volkswagen's warning of a much tougher 1999, margins have probably peaked. An over-dependence on slowing European markets will not help.

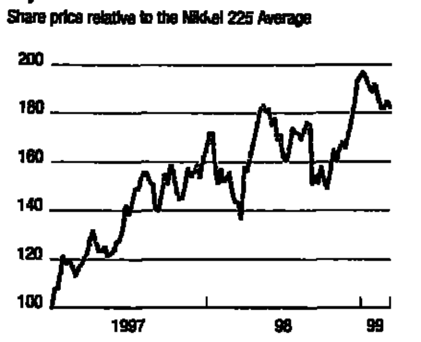
As a relative minnow and one of the last single-brand manufacturers left – now Ford has gobbled up Volvo cars – Renault will feel the pressure to merge keenly. The French government's stake acts for now as a defence against hostile takeover. The prime minister's support for the idea of a Japanese merger is a positive sign, but shareholders would surely prefer the state's exit from their company altogether.

GEC/Reltec

Is too much cash burning a hole in the pocket of General Electric Company? Scarcely a month after agreeing to sell its defence interests, the UK group is splashing out $2.1bn on Reltec, a US telecommunications equipment manufacturer.

But shareholders can relax because this looks like a well-matched deal. Reltec brings a US top-three position in access products, which allow telecoms operators to offer broadband voice, video and data services directly to customers over the "local loop" – the crucial last-mile connection. This fits neatly with the strength in Europe and in transmission products of Marconi Communications, now GEC's main business.

Fujitsu
Share price relative to the Nikkei 225 Average



Source: Datastream/ICV

Reltec has blue-chip customers and is growing at 25 per cent a year. Yet GEC is paying only 1.6 times prospective sales and 11 times forecast 1999 cash flow. In a hot sector like telecoms equipment, this is a snip – Lucent paid nearly nine times revenues for Ascend.

The speed with which GEC has acted betrays a welcome sense of urgency – perhaps the management felt just a little vulnerable sitting on all that cash. And, since it will still have £1bn ($1.6bn) left once all the recent deals are done, the balance sheet is hardly stretched. More acquisitions will surely follow. GEC also has to think about what it should do with Marconi Systems, its unrelated collection of industrial businesses. But the faster the group beefs up its telecoms operation, the less that will matter.

Fujitsu

Another day, another profits warning from a Japanese electronics company. But Fujitsu is different. Although the company expects profits this year to be 30 per cent lower than it forecast last autumn, Fujitsu is at least still predicting profits. On this score alone, it knocks spots off its rivals among Japan's big-five electronics groups. Hence the resilience of the shares, which have outperformed the Nikkei by nearly 80 per cent in the past two years.

Fujitsu's secret has been its relative fleet-footedness among the lumbering mammoths of Japanese electronics. It has diversified away from manufacturing: software and services now account for 35 per cent of sales. This has provided a cushion as Fujitsu's manufacturing businesses have come under the cosh. And a much-needed one, since the outlook for memory chips and telecommunications equipment remains appallingly bleak.

The challenge for Fujitsu is how to continue expanding its successful software and services side – ICL in the UK and Amdahl in the US. The computer services sector is consolidating at the worst moment. Fujitsu has no cash for acquisitions, while its shares carry too much manufacturing baggage. Spinning off minority shareholdings in both companies would make sense. The fact that Fujitsu has even mooted this demonstrates why its shares are outperforming. But to cement the premium rating, it needs to follow through.

Allied Domecq

Whenever Allied Domecq's share price takes another step downwards, the management thrashes around in search of a solution. Talk of a big strategic move has veered, with monotonous regularity, from merging its spirits business with another Diageo-challenged player to demerging spirits from retailing. In the absence of a deal, it must be time to look at the latter again. Meanwhile, Allied's earnings per share remain above those of Diageo, and yet its big rival's price is not far short of 700p compared with Allied's 473p. The difference is that Diageo is on the move after its mega-merger. But Allied seems stuck.

But so negative is sentiment about Allied that break-up values have sunk as low as 550p a share, giving little to go for once demerger costs and uncertainty have been factored in. For the spirits business, a valuation of £4bn implies a price/earnings ratio of only 15. This allows nothing for the numerous ways in which the business could be taken forward. It could still end up in a value-creating deal; or its brands – which include Ballantine's, Sauza and Beefeater – could be sold; or it could even resume expanding. The retail business is even cheaper after last month's profits warning, but there are several ways to refocus the portfolio.

With an ambitious new finance director and increasing pressure to stop the share price rot, something really should happen this time.

Manufacturing in further boost to US economy

By Gerard Baker in Washington

US manufacturing bounced back from an eight-month malaise last month, giving further momentum to the already super-charged American economy, according to an influential survey of the nation's purchasing managers yesterday.

The National Association of Purchasing Management (NAPM) said its main index of manufacturing activity jumped in February by 2.9 percentage points to 52.4, the first reading since last May in which more than half of the respondents reported an increase in activity.

The improvement suggests that manufacturing, the one weak spot in the US economy in the last year, may have already recovered from the effects of the overseas turmoil that once threatened to produce a much more significant slowdown.

"Though it may be premature to say that manufacturing is back, particularly with the persistent softness in prices, this ... signals a possible reversal of recent fortunes," said Norbert Ore, chairman of the NAPM's manufacturing business survey committee.

New orders led the recovery, with a leap in the number of purchasing managers reporting an increase and a sharp fall in those reporting a decline.

There were also early signs of a rebound in the hard-hit export sector. For the first time in more than a year more respondents reported a rise than a fall.

Employment remained weak, but manufacturers' payrolls tend to lag behind changes in new orders by several months. Economists believe the decline in manufacturing employment in the last year may be about to come to an end.

Separately, the Commerce Department recorded another surge in construction spending in January. Overall spending rose by 1.6 per cent after a 1.4 per cent increase in December, the department said.

The public sector again led the way, recording a 5.9 per cent increase, driven by new road-building projects. But private residential construction was also strong.

In another report, the Commerce Department said personal income rose by 0.6 per cent in January, while spending grew by 0.3 per cent. The personal savings rate, which has been in negative territory recently, was 0.1 per cent.

Overall the monthly figures continue to emphasise the remarkable strength of the US economy.

In the final three months of last year gross domestic product expanded at a 6.1 per cent annual pace, equal to the best performance in 15 years, and the early figures for 1999 indicate only a slight slowdown.

But more remarkable still is the failure of that exuberant demand growth to push inflation higher. Policymakers at the Federal Reserve are puzzling over the combination of accelerating growth and declining inflation, but as long as it continues they are hesitant to cut short the best US economic performance in 30 years.

US Congress plans moves to limit risks from hedge funds

By Richard Wolffe in Washington and Tracy Corrigan in New York

US Republican and Democratic congressmen are planning a series of interventions – from new legislation to tighter regulations – to tackle the risks that hedge funds pose to the international banking system.

In the wake of last-year's near-collapse of Long-Term Capital Management, whose rescue was co-ordinated by the Federal Reserve of New York, the leaders of the House banking committee appear determined to strengthen the regulation and reporting of bank lending to hedge funds.

James Leach, the Republican committee chairman, said in an interview last week: "The result is the important thing. Whether it comes through legislation or regulation is of a lesser significance. But the only truly credible way of looking at the whole hedge fund issue from a regulatory perspective is clearly on the banking side."

A report in January by the Basle committee of banking supervisors concluded that most of the risks arising from hedge funds could be dealt with by improved standards at banks. It also noted it would be difficult to regulate hedge funds directly, since many are based offshore.

Mr Leach said there was a particular need for the leaders of the Group of Seven industrialised countries to address the problem of hedge funds based offshore, where they could avoid regulatory supervision.

Mr Leach has already said that banks need to change their approach to funds based outside the US.

Mr Leach added that hedge funds such as LTCM were "dubiously-leveraged" and placed bank capital at serious risk.

"This ill fits any idea of prudential banking practices, and it's made all the worse by the potential for self-dealing in situations where banks or their officers are also investors in a particular hedge fund," he said.

The activities of hedge funds are largely unsupervised. However, US regulators have already shifted their stance after the bail-out of LTCM by 14 financial institutions last year. On February 1, the New York Federal Reserve issued new best practice guidelines for regulators assessing banks' dealings with hedge funds.

Hedge funds have traditionally told lenders little about their investments, ostensibly to prevent rivals from learning about their secret strategies.

Senior Wall Street executives say their firms now require greater disclosure by the hedge funds they deal with and have reduced exposure.

A Wall Street industry grouping of 12 financial institutions is seeking to establish best practice for banks and securities firms, which some see as an alternative to direct regulation.

The capital markets subcommittee of the House banking committee will hold several hearings this week on the relationship between banks and hedge funds with a view to possible legislative action later this year.

John LaFalce, the Democratic leader on the committee, said there was broad support for the need to take action to improve the policing role of bank regulators.

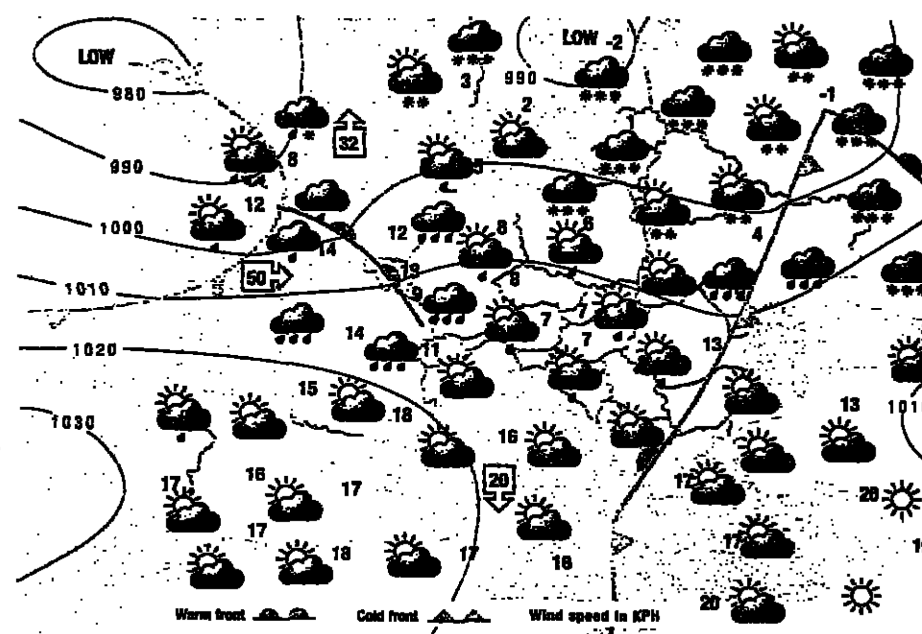
CONTENTS

Israeli army chief of staff Shaul Mofaz lays a wreath on the coffin of a soldier killed by Hizbollah fighters in South Lebanon. Page 4 Reuters

FT WEATHER GUIDE

Europe today
Much of north-western Europe will be unsettled with strong winds and heavy rain. North-east Europe and Scandinavia will be unsettled with wintry showers and snow. Southern France and the Iberian peninsula will be fine apart from the occasional light shower. The rest of the Mediterranean will be dry, warm and settled with a good deal of sunshine, although there will be a chance of light showers over Greece and southern Italy.

Five-day forecast
North-western Europe will remain windy, with colder conditions moving south from Wednesday. Southern Scandinavia will be windy with heavy snow. Eastern Europe will become milder. The Iberian peninsula will turns less settled and colder as high pressure moves west. There will be more snow over the Alps on Thursday.



Situation at midday. Temperatures maximum for day. Forecasts by PA WeatherCentre

TODAY'S TEMPERATURES
Maximum Celsius

Abu Dhabi	Fair	25
Accra	Sun	32
Algiers	Fair	16
Amsterdam	Rain	12
Athens	Fair	17
Atlanta	Shower	22
B. Aires	Fair	31
B.ham	Rain	13
Bangkok	Fair	33
Barcelona	Sun	16
Beijing	Fair	11
Belfast	Rain	11
Belgrade	Sun	17
Berlin	Shower	8
Bermuda	Shower	21
Bogota	Shower	20
Bombay	Sun	35
Brussels	Rain	13
Budapest	Fair	7
C.hagen	Shower	5
Cairo	Sun	21
Caracas	Fair	29
Cardiff	Rain	12
Casablanca	Sun	18
Chicago	Shower	5
Cologne	Rain	12
Dakar	Sun	24
Dallas	Sun	24
Delhi	Sun	28
Dubai	Cloudy	25
Dublin	Shower	12
Dubrovnik	Sun	15
Edinburgh	Rain	8
Faro	Sun	19
Frankfurt	Rain	12
Geneva	Shower	11
Gibraltar	Sun	19
Glasgow	Rain	8
Hamburg	Shower	9
Helsinki	Snow	-2
Hong Kong	Fair	21
Honolulu	Fair	27
Istanbul	Sun	12
Jakarta	Shower	31
Jersey	Rain	12
Johannesburg	Fair	29
Karachi	Cloudy	31
Kuwait	Sun	23
L. Angeles	Sun	19
Las Palmas	Fair	20
Lima	Fair	26
Lisbon	Fair	17
London	Rain	14
Luxbourg	Rain	9
Lyon	Cloudy	23
Madeira	Fair	18
Madrid	Fair	16
Majorca	Sun	17
Malta	Shower	16
Manchester	Rain	13
Manila	Shower	31
Melbourne	Sun	32
Mexico City	Fair	22
Miami	Sun	27
Milan	Sun	18
Montreal	Snow	1
Moscow	Snow	-1
Munich	Shower	11
Nairobi	Sun	30
Naples	Sun	17
Nassau	Sun	26
New York	Fair	8
Nice	Fair	18
Nicosia	Sun	20
Oslo	Snow	3
Paris	Rain	14
Perth	Sun	27
Prague	Shower	8
Rangoon	Fair	36
Reykjavik	Snow	1
Rio	Fair	30
Rome	Sun	18
S. Frsco	Fair	17
Seoul	Fair	9
Singapore	Fair	32
Stockholm	Fair	2
Strasbourg	Rain	13
Sydney	Shower	24
Tangier	Sun	18
Tel Aviv	Fair	18
Tokyo	Fair	19
Toronto	Fair	2
Vancouver	Shower	9
Venice	Fair	10
Vienna	Fair	7
Warsaw	Shower	6
Washington	Shower	14
Wellington	Fair	19
Winnipeg	Snow	-2
Zurich	Shower	11

FINANCIAL TIMES
COMPANIES & MARKETS
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INSIDE

Packard Bell NEC plans listing
The new European president of Packard Bell NEC said the Japanese-controlled personal computer group would look for a $2bn listing next year of a holding company encompassing its global operations. Michel Fromont warned that if the lossmaking US operations were not turned round the European and Asia-Pacific business would pursue its own move to the public markets. **Page 19**

Pop star bonds hit wrong note

It is two years since the banking community watched gleefully as investors scrambled to subscribe to a $55m bond issue backed by the future earnings of David Bowie (left), one of the world's top pop stars. But, although other big music names have launched "Bowie Bonds" the development of the market for securitising music royalties has been slower than expected. **Page 21**

EIB launches Czech bond package
The European Investment Bank, the financing arm of the European Union, has launched a Kc30bn (€793.5m) bond programme in the Czech Republic. The koruna programme, the EIB's first in the country, is likely to create benchmarks for long-term paper. **Page 26**

Budget bounces Bombay higher
The euphoric response to India's weekend budget is likely to continue following cuts to interest rates. Continued buying drove the benchmark BSE-30 index up 4 per cent to breach the 3,500 barrier for the first time this year. The index closed up 124 at 3,523. **Page 38**

UK manufacturing keeps pound high
The pound spent most of the trading session in London above the key $1.60 level after the release of surprisingly strong data on UK manufacturing business confidence. **Page 27**

TV Azteca chief pledges rescue
Ricardo Salinas Pliego, chairman of TV Azteca, has told shareholders the Mexican broadcaster is in trouble, a rare act of contrition anywhere in Mexico, let alone by one of its brashest tycoons. He promised to improve Azteca's very poor audience ratings and to cut costs. He has also dispatched a public relations company to ask media analysts how Azteca could improve its image. **Page 22**

Thai banks tempt cautious investors
Thai banks have resorted to unusual capital-raising exercises to lure cautious investors and to try to avoid sharp dilutions in controlling shareholders' equity. Thailand's 15 commercial banks will collectively have to raise $3bn if only half their current non-performing loans are written off. **Page 21**

Reltec is acquired by UK's GEC for $2.1bn

British group puts cash from defence sale into telecoms

By Christopher Price in London and Roger Taylor in San Francisco

General Electric Company of the UK yesterday moved to underline its credentials as a telecommunications company with the $2.1bn (£1.3bn) acquisition of Reltec Corp, a US networking products group.

The purchase comes just six weeks after GEC agreed to sell its defence business to British Aerospace for £7bn and declared its intention to build up its telecoms operations.

GEC will use proceeds from its £2.2bn cash pile to fund the Reltec purchase. It will not receive any proceeds from the defence sale for some months while competition authorities scrutinise the deal. But Lord Simpson, chief executive, said the UK group still had some £1bn in cash and would continue to seek acquisitions.

"We still have plenty of firepower left," he said, adding that the US was the most likely market and high technology companies the targets for further activity.

Cleveland-based Reltec produces cables and equipment for both power transmission and communications companies. It is best known for its communications products, in particular its digital loop carrier products – devices which connect copper telephone lines to high-speed fibre optic cables. The company has about 15 per cent of the $2.4bn US market for these products.

GEC believes Reltec's position, particularly its strong customer base, will help Marconi Communications to penetrate the US market.

"This gives Marconi products access to the US market, which is where 50 per cent of the telecoms market is," said Lord Simpson.

Reltec employs some 6,600 people. Group sales last year reached $1bn, a rise of 13 per cent, with net income of $30m. Its customers include Ameritech, AT&T, Bell Atlantic, Sprint and WorldCom MCI.

The $2.1bn price tag includes $361m of debt. The $29.50 a share offer represents a 36 per cent premium to Friday's closing price, and Kohlberg Kravis Roberts & Co, the US investment group, has pledged its 81 per cent shareholding in favour of the deal. GEC said the acquisition would be immediately earnings enhancing. Its shares rose 22p to 520p on the London market.

The Reltec deal is also likely to win support from those analysts who have argued that Marconi Communications is too small to compete with giants like Lucent of the US or Nortel Networks of Canada, despite being prominent in optical communications and in some data and internet technologies.

However, Lord Simpson tried to deflect disappointment among some observers who had hoped for a bigger acquisition. "It's not who's the biggest in this market but who's the quickest, and we certainly think we are. Obviously, size is important but it depends on which part of the market you are in."

Claude Romans of Ryan Hankin Kent, the US telecoms industry research group, said GEC had yet to demonstrate a clear and consistent strategy in telecommunications and described the Reltec acquisition as "bargain hunting".

Lex, Page 16

Plenty of firepower: GEC chief executive Lord Simpson Ashley Ashwood

Bank of Scotland teams up with Pat Robertson

By George Graham in London and John Authers in New York

Bank of Scotland is to team up with Pat Robertson, the television evangelist, to launch a US direct banking operation.

The model for the venture is Sainsbury's Bank, the telephone banking business that Bank of Scotland launched in the UK in 1997 in partnership with the J. Sainsbury, the UK supermarket group.

This time, the Scottish bank will walk down the aisle with a preacher, businessman and former candidate for the US presidency, whose Christian Broadcasting Network reaches some 55m viewers a year.

Direct telephone banking is less developed in the US than in the UK. Many banks have envied the success of First Direct, a subsidiary of the HSBC banking group, and several banks are doing business over the internet.

William Hendry, who heads Bank of Scotland's US operations, said the alliance was formed out of "serendipity" after he had met Mr Robertson. Although Mr Robertson might seem an unlikely partner for the Scottish bank, Mr Hendry said he brought entrepreneurial spirit, knowledge of banking and of American consumers' preferences. Mr Robertson's first link with British business was his appointment as a director of Laura Ashley, the fashion retailer, in January.

Applications to set up the bank, in which Robertson Financial Services will own a substantial minority stake, will be filed today with US regulators.

This unlikely combination of God and Mammon has not been named. Some insiders have dubbed it the Good Lord's Bank. However, the operation is expected to be formally called New Foundation Bank. Peter Burt, chief executive of Bank of Scotland, denied the bank would be taking unfair advantage of Mr Robertson's followers.

He said: "Rather than exploiting its customer base, we believe the New Foundation Bank is going to exploit anomalies in the market.

"The objective is to provide the American consumer with a bank that is committed to service and value."

Fujitsu issues full-year profits warning

Electronics group blames 25% fall in domestic sales

By Paul Abrahams in Tokyo

Fujitsu, the Japanese software and services company, yesterday warned its full-year sales and profits would be lower than projected. The group blamed worse than expected domestic sales of telecommunications equipment.

It said domestic sales would tumble 25 per cent to Y455bn ($3.79bn), while overseas sales would rise 18.8 per cent to Y310bn.

NTT, the dominant domestic carrier, announced over the weekend that it would cut its capital spending further next year resulting in consolidated operating profit in the telecoms equipment division falling from Y100bn to Y25bn.

Fujitsu also warned an increased restructuring charge for its electronic devices division which includes semi-conductors would force the parent company to post a net loss of Y20bn, its first such loss since March 1993. The Y85bn charge includes the cost of disposing of its UK D-Ram plant.

The downgrade is the latest in a series announced by the Japanese electronics conglomerates, which have been hit by a severe downturn in domestic corporate capital spending and a price collapse in the semi-conductor market. NEC, Toshiba and Hitachi have all unveiled profits warnings.

However, unlike those groups, Fujitsu expects to post consolidated profits this year, underlining the strength of its overseas operations.

The company, which owns Amdahl in the US and ICL in the UK, said consolidated operating income would be Y130bn, against its previous forecast of Y180bn and last year's figure of Y177.3bn. Net profits would be just Y20bn, against an earlier prediction of Y45bn and last year's result of Y5.5bn. Sales would be Y3,170bn against Y3,229bn last year.

Parent company sales would be Y3,170bn down Y50bn on previous forecasts and against Y3,229bn last year. The group's shares fell Y35 to Y1,445.

In a recent interview with the Financial Times, Naoyuki Akikusa, Fujitsu's president, said the hard disk-drive business was doing well and mainframes, software and services were still profitable.

Yesterday, the company said sales of the computers and information processing systems division would rise 12.6 per cent in the current year to Y3,750bn. The division's overseas sales would jump 36.7 per cent to Y1,565bn.

But the question was whether these businesses could cover the losses elsewhere, in particular D-Rams, said Mr Akikusa. "The D-Ram problem is so big that it is difficult to be optimistic."

The outlook for D-Ram prices is bleak. The brokers, Warburg Dillon Read, warned yesterday that prices last week weakened from $10 to $9.50, and could soften further.

Lex, Page 16; NTT warns of profit fall, Page 18

COMPANIES IN THIS ISSUE

CROSSWORD, Page 28

MARKET STATISTICS

BNP in threat to boycott Crédit Lyonnais sale

By Samer Iskandar in Paris

Banque Nationale de Paris, France's third largest bank, yesterday signalled that it was unlikely to participate in the privatisation of Crédit Lyonnais unless the terms of the sale allowed it to play the leading role.

"What will improve profitability is not just holding a stake, but having a [common] policy," said Michel Pébereau, BNP chairman.

The bank's statement followed its offer last month to forge an "industrial project" with Crédit Lyonnais, leading to a merger of the two. Under the plan, BNP offered to guarantee the jobs of the 30,000 staff of Crédit Lyonnais in exchange for a leading role in the privatisation.

Without a merger, analysts say, BNP risks being marginalised following the recent announcement of a merger between its rivals Société Générale and Paribas.

Under the terms of a government plan agreed in May last year with European competition regulators, the French government is to sell 30-33 per cent of Crédit Lyonnais to a group of "partner shareholders" in coming weeks.

Up to 60 per cent will be floated on the stock market by June while the government will retain less than 10 per cent.

Paris has not yet announced the final terms of the sale, notably the number of partner shareholders and the size of their stakes.

BNP hopes its offer to guarantee jobs will appeal to the socialist government, which has put job creation at the top of its agenda.

"If there is no possibility of building an industrial project [with CL] then participating in the privatisation will not be a strategic priority for us," said a BNP executive.

BNP's offer, however, is strongly opposed by Jean Peyrelevade, Crédit Lyonnais chairman, who is fighting to prevent rival commercial banks from becoming large shareholders after the privatisation.

Mr Pébereau has insisted a merger was possible only if the two banks' managers were willing to co-operate.

BNP yesterday reported net profits of €1.11bn ($1.2bn), up 23 per cent, in spite of large provisions for exposure to Asian emerging markets.

Specific provisions of €382m were allocated to Korea, Indonesia, Malaysia, the Philippines and Thailand, up from €90m in 1997.

Russian exposure resulted in another €219m in provisions.

BNP also said it aimed to improve pre-tax return on equity on its domestic banking operations by one percentage point every year, and achieve return on equity of 18 per cent on average over the business cycle on its global customers and markets activities. With return on equity of 11.8 per cent last year, BNP claims it was France's most profitable bank. Its shares closed down 2.5 per cent at €70.9.

Laidlaw warns ambulance weakness will hit earnings

By Edward Alden in Toronto

Shares in Laidlaw, North America's largest specialty transportation company, fell sharply yesterday after the company warned it would fail to meet second-quarter earnings forecasts and would take a US$250m charge next quarter to restructure its ailing ambulance business.

Laidlaw shares dropped more than 15 per cent, down C$1.85 to C$9.75 in midday trading on the Toronto Stock Exchange.

The company also announced it had reached an expected settlement with the US Internal Revenue Service that will cost US$226m after tax. Laidlaw had been facing a bill of as much as US$500m after a US tax court last year disallowed tax claims involving a now-defunct Dutch subsidiary.

Over the last two years Laidlaw has transformed itself through acquisitions from North America's third largest waste management company into a transportation company specialising in passenger bus and ambulance services. Last year the company made 38 acquisitions, including the US$470m purchase of Greyhound Lines in the US and dozens of small ambulance providers.

Analysts said the company's bet that ambulance services could be operated on the same large-scale basis as municipal and school bus transit had not paid off. "There has been a fundamental deterioration in the business," said one. This was primarily because US health management organisations and the government have scaled back on ambulance transportation in an attempt to cut costs of emergency services.

Laidlaw has also run into a series of problems in its ambulance division, including union difficulties that forced the company out of Chicago and problems with integrating some of its new acquisitions. In addition, competition from local providers remains intense in many cities. Revenue from ambulance services, which accounts for a third of Laidlaw's total revenue, fell more than 11 per cent in the first quarter of this year from the same period in 1998.

Laidlaw said its second-quarter operating earnings will be 10 to 13 cents per share rather than the 18 to 19 cents forecast by analysts. In addition, the company will take a one-time charge of US$20m, or six cents a share, related to the tax settlement. The shortfall is primarily due to poor results in the ambulance business.

"Our ambulance operating results are both disappointing and unacceptable," said John Grainger, Laidlaw executive vice-president and chief operating officer. The chief executive of American Medical Responses, the ambulance group, resigned yesterday.

Mr Grainger said each of the unit's 250 operating locations would be re-examined to identify further savings. Several locations are likely to be sold off or closed, he said.

CONGLOMERATES BUFFETING BY REGIONAL CRISIS IS OFFSET WITH $2.7bn ASSETS SALE

Disposals lift First Pacific

By Louise Lucas in Hong Kong

First Pacific, one of Asia's biggest conglomerates, yesterday reported a 70 per cent rise in net profits to US$360.5m for the last calender year.

However, gains were achieved on the back of a hefty disposal programme; stripping out exceptional items, net profits plunged 75.6 per cent to $40.5m, lower than market expectations.

While First Pacific embarked on its $2.7bn asset disposal programme, its Asia-based businesses were buffeted by the regional crisis.

Telecoms businesses have been hit by cash flow problems; the Hong Kong-based First Pacific Bank made big provisions while its net interest margin has contracted; and tight credit and falling values have undermined property interests.

"Last year was the most challenging, most dramatic and without question the busiest year in First Pacific's history," said Manuel Pangilinan, executive chairman.

The company responded to the Asian financial crisis by hiving off non-core activities and concentrating on four sectors – consumer, telecoms, property and banking – in which it can create synergies.

It also sold off non-Asian assets such as Hagemeyer, the Dutch trading concern, and built up reserves which have been used to reduce debt and buy assets which meet the criteria of having an Asian focus and healthy cash flow.

This has bolstered the company's balance sheet – net indebtedness was more than halved at the year end, from $2.94bn in 1997 to $1.29bn – and also changed the geographical spread.

Following the purchase of a controlling stake in Philippine Long Distance Telephone at the end of last year, some 63 per cent of First Pacific's investments are in the Philippines and 48 per cent relate to telecoms. Mr Pangilinan said the intention was to build a broader portfolio as and when opportunities arise.

At the same time, would-be buyers are circling parts of First Pacific. First Pacific Bank has attracted interest, although nothing has been agreed and price seems to be the sticking point.

The bank's contribution to group profits was around one-quarter of 1997 levels, from $22.4m to $5.9m.

On a per-share basis, First Pacific's earnings fell 75.7 per cent, from 7.04 cents to 1.71 cents excluding exceptional items. Including net exceptionals, earnings per share rose 69.4 per cent, from 8.98 cents to 15.21 cents.

Shareholders are to receive a final dividend of 26 cents, giving a full year payout of 58 cents compared with $2.19 a year earlier.

Manuel Pangilinan: looked back on 'dramatic' year AP

NTT warns of 26% profit fall

By Michiyo Nakamoto in Tokyo

Nippon Telegraph and Telephone, Japan's dominant carrier, warned that non-consolidated profits in the coming year would fall by 26 per cent as a result of the country's prolonged recession.

The telecommunications company is being reorganised in July into two domestic carriers and a separate company in charge of long-distance and international operations. It said pre-tax profits in the year to March 2000 were forecast to be Y216bn ($1.82bn) on revenues that were expected to be nearly 3 per cent lower at Y6,116bn.

The gloomy forecast will mark the third consecutive fall in NTT's revenues and profits. NTT blamed the continuing decline in economic activity, which has led to falling use of conventional telephony services. Revenues from voice telephony services is expected to fall about 5 per cent to Y4,423bn.

The decline in NTT's profits in the next fiscal year underlines the severity of Japan's recession. Telecoms has been one of the most resilient sectors during the downturn because of the growth in data and mobile communications. Profits from NTT's mobile communications subsidiary, NTT DoCoMo, are reflected in consolidated results.

The fall in voice telephony will put further pressure on NTT to speed up the shift in business emphasis to data communications. NTT expects profits from digital networks, used mainly for data communications, to increase 22 per cent to Y1,119bn.

NTT also said it would reduce capital expenditure for the third consecutive year, in a move that will have a significantly negative effect on its suppliers.

Capital spending will fall by 13 per cent from the current year to Y1,520bn, largely because the digitalisation of switches will be completed.

● NTT is in talks with Philippine Long Distance Telephone about a capital alliance, the Japanese business daily, Nihon Keizai Shimbun, reported yesterday.

Manuel Pangilinan, PLDT president, was quoted as saying an agreement between the companies was likely by the middle of this year.

Sumitomo Rubber surprises

By Alexandra Harney in Tokyo

Sumitomo Rubber, Japan's third largest tyre maker, surprised the country's components industry yesterday by announcing a 38.4 per cent jump in pre-tax profits to Y14.52bn ($122m) last year.

The results indicate that Sumitomo, which signed a global alliance with Goodyear of the US last month, was able to capitalise on the European market, where it markets the Dunlop brand, better than analysts had expected.

Most of the growth was due to brisk sales overseas, buoyed by a strong yen and a reduction in domestic inventories, rather than an improvement in Japanese sales, the company said. Sales increased 6.5 per cent to Y653.52bn, despite a 2.6 per cent decline in domestic turnover to Y282.49bn.

But sales in Europe offset the downturn at home, Sumitomo said. Sales in Europe, which is its largest market outside of Japan, were Y272.15bn, excluding sales within the group, although regional sales figures from the previous year were not available.

Net profits in Europe slid 6.5 per cent to Y5.8bn. The company said this reflected Y2.6bn worth of extraordinary charges taken in 1997 when Sumitomo reinvested cash reserves that were originally set aside to cover the costs of closing a subsidiary factory in Germany. Underlying profitability had actually improved.

Sales in the US and Canada totalled Y94.57bn, while those outside Japan accounted for 61.6 per cent of total turnover, up from 57.2 per cent the year before. Net profits slid 13.9 per cent to Y5.03bn.

The picture was markedly worse at the parent level, however. Parent company pre-tax profits, which provide a better picture of performance in Japan, tumbled 37 per cent to Y6.61bn, on sales down 3.5 per cent to Y330.24bn. Net profits plunged 40 per cent to Y3.75bn, as Sumitomo was squeezed by falling prices and weak demand.

In 1999, Sumitomo expected group earnings before taxes and exceptionals to increase 12 per cent to Y16.5bn on sales down 3.5 per cent to Y630bn. Net profits were expected to improve to Y7bn. However, these estimates did not include potential gains from the alliance with Goodyear.

Chinese police halt futures fraud

By James Harding in Shanghai

Chinese police have broken a RMB30m ($3.6m) futures trading case in which mainland Chinese investors were defrauded of their money by a ring of gangsters from Hong Kong, Macau and Taiwan.

The gang, whose chief suspect was said to be a Hong Kong resident, established more than 10 illegal futures brokerages around China, the Chinese News Service reported yesterday. Mainland Chinese investors lost all their funds because their buying and selling orders were settled fraudulently at a company opened in the southern Chinese city of Guangzhou in 1996. No purchases were actually made on clients' behalf.

Beijing has been anxious about the potential for social unrest when financial institutions collapse or defraud investors of their savings. Zhu Rongji, China's prime minister, this month urged that "steps must be taken to ensure repayment of people's savings to safeguard social stability".

In a comment that underlined the extent of problems in the financial system, Mr Zhu was quoted saying that some financial institutions, such as urban and rural credit co-operatives and local commercial banks, accepted deposits with high interest rates and provided loans in violation of rules during the second half of last year. "This led to repayment difficulties and bank runs," Mr Zhu said.

At the end of last year, more than 200 angry investors, cheated in a separate brokerage scam, marched through Beijing. In that case, thousands of people invested their savings with the Xin Guo Da brokerage, which had promised high returns on investments in the volatile green bean and soya futures markets.

NEWS DIGEST

JAPAN

Mitsubishi Chemical sees fall in to the red

Mitsubishi Chemical, Japan's largest integrated chemicals maker, yesterday issued a profits warning only two weeks after raising expectations by announcing a restructuring plan. It revised down earnings estimates for the year ending March 31 1999, citing weak demand in Asia and a stronger than expected yen in the second half of the year. The company lowered sales forecasts from Y1,600bn to Y1,540bn ($13bn) and said it expected to post a pre-tax loss before exceptionals of Y5bn, against earlier forecasts of a Y16bn profit. The group lowered estimated net income from zero to a loss of Y27bn.

Two weeks ago, the company announced restructuring measures to cut costs by Y40bn a year. The restructuring would include a reduction in the headcount from 11,000 to 9,000 by March 2001. Capital expenditure would be cut from a planned Y44bn to Y35bn next year.

"The company handled this badly. They raised expectations when they announced the restructuring, then betrayed investors. They should have announced the earnings revisions two weeks ago when they announced the restructuring," said Philip Hall, senior analyst at Schroders. The stock closed down 4.5 per cent, or Y13, at Y277. **Alexandra Nusbaum, Tokyo**

FINANCIAL SERVICES

Mitsui Trust reviews staffing

Mitsui Trust & Banking said yesterday it had not yet decided on job or wage cuts in connection with a merger with Chuo Trust & Banking Co in April 2000. The Mainichi Shimbun newspaper reported on Monday that Mitsui Trust and Chuo Trust planned to cut 2,000 jobs over the next five years. It also said Mitsui Trust planned to cut salaries by more than 10 per cent to bring them into line with those at Chuo Trust. In January, the two trust banks said they had agreed to start talks to merge in April 2000. **Reuters, Tokyo**

HONG KONG

Sing Tao shares suspended

Trading in shares of Sing Tao Holdings was suspended at the company's request pending an announcement concerning the sale by chairman Sally Aw of a 23 per cent interest to Hong Kong Sunrise Holdings, the Hong Kong Stock Exchange said yesterday. Sing Tao shares ended at HK$0.90 on Friday. **Reuters, Hong Kong**

BANKING

IBJ Securities to double capital

IBJ Securities, a securities subsidiary of Industrial Bank of Japan, said yesterday it was to increase its capital by Y35bn to Y70bn ($590m). **Reuters, Tokyo**

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CARMAKERS FRENCH COMPANY'S RESULTS AHEAD OF EXPECTATIONS

Renault profits rise 63% as margins close

By David Owen in Paris

Renault, the French carmaker, yesterday unveiled a 63 per cent advance in annual profits, slightly ahead of expectations, while signalling it expected a downturn in operating margins in the current year.

After a year in which it recorded its highest level of annual sales, the company, which is partly owned by the state, posted net income of FFr8.85bn (€1.35bn, $1.5bn), up from FFr5.43bn in 1997.

But it indicated that with competitive pressure increasing, it was expecting a 1999 operating margin of about 4 per cent, against 5.2 per cent last year.

Car sales were expected to show a marked decline in Turkey and in the so-called Mercosur markets of Latin America, where the group was, nevertheless, expecting to increase market share. Last December it inaugurated its Ayrton Senna assembly plant in Brazil.

Markets for industrial vehicles were likely to grow in France and Spain, while falling in other European countries and the US.

Louis Schweitzer, chairman, described 1998 as a "successful step" in the company's objective of long-term profitable growth. But the reaction of trade unions suggested the positive performance might set the scene for tougher negotiations on working hours.

Last year's turnover accelerated to FFr243.9bn, up from FFr207.9bn as unit sales of passenger cars and light commercial vehicles surged nearly 16 per cent to more than 2.1m, spurred in particular by the success of the Mégane and Kangoo models.

Operating profit rose more than five-fold from FFr2.03bn to FFr10.84bn.

A dividend of FFr5 a share, up from FFr3.50, is proposed.

The company, which has set itself a target of roughly doubling sales to 4m by 2010, is in the final stages of negotiations to acquire a 51 per cent stake in Dacia, Romania's state-owned carmaker, and is expecting to make an announcement this month.

Although Renault is understood to be offering little more than $30m for the stake, Mr Schweitzer has said the company intended to make substantial investments in Dacia so it would "reach international quality and competition standards".

Renault again confirmed it was studying a possible alliance with Japan's Nissan. Lionel Jospin, the French prime minister, has signalled the French political establishment would back an agreement between Renault and a Japanese company.

The market is also awaiting more news of the strategic plans of the industrial vehicles unit, whose operating margin also improved strongly in 1998. Patrick Faure, Renault VI's chairman, recently hinted it could seek an alliance in the small truck market.

Verdict boosts Telecom Italia and Olivetti

By Paul Betts in Milan

Telecom Italia and Olivetti shares yesterday rose in a falling Milan stock market in the first day of trading following clearance by Consob, Italy's stock market regulator, of Olivetti's €53bn ($58bn) hostile bid for the privatised telecommunications company.

Telecom Italia's shares closed 1 per cent higher at €9.80, just below Olivetti's €10 a share offer price. Olivetti shares rose 1.8 per cent on the back of Consob's weekend verdict.

However, Telecom Italia Mobile shares fell 4 per cent because of concern that Telecom Italia's proposed merger with its 60 per cent-owned cellular phone company risked being delayed by the Consob decision.

Telecom Italia's board last week gave Franco Bernabe, the company's chief executive, the mandate to study a merger with TIM as part of the group's longer-term industrial strategy as well as a takeover defence. But Consob's clearance of Olivetti's bid now restricts Telecom Italia's hands in taking defensive action against an offer it considers unacceptably low and incomplete.

Financial analysts yesterday appeared to share Telecom Italia's contention that the €6 cash component of the Olivetti offer was far too low. Olivetti's €10 offer involving cash, bonds and equity values Telecom Italia at a substantial 30 per cent discount in terms of price-earnings ratio compared with the Italian group's international telecommunications peers.

After gaining Consob clearance for its revamped offer, Olivetti is now working on its formal bid prospectus which once submitted must be approved by the stock market regulator within 15 days.

Olivetti will also need Bank of Italy clearance for the bond component of its offer. This involves the largest ever Italian corporate bond issue amounting to L26,000bn. The bonds are to be issued by Tecnost, the 97 per cent-owned subsidiary Olivetti is using as the vehicle for its bid.

● Wind, Italy's third mobile telephone company, yesterday began customer operations, hoping to add pressure to the already fierce competition in the country's telecommunications industry, writes James Blitz in Rome.

Although attention is still dominated by the brewing takeover war between Telecom Italia and Olivetti, Wind – jointly owned by Italian electricity giant Enel, France Telecom and Deutsche Telekom – claims it can offer services cheaper than its rivals.

Unlike its Italian rivals, Wind is offering an integrated fixed and mobile telecommunications service. It claims it can win 20 per cent of Italy's mobile phone business and 12 per cent of its fixed-line business.

Packard Bell NEC listing plan

By Christopher Price

The new European president of Packard Bell NEC said yesterday that the Japanese-controlled personal computer group will look for a $2bn listing next year of a holding company encompassing its global operations.

However, Michel Fromont warned that if the loss-making US operations were not turned round this year the European and Asia-Pacific business that he heads would pursue its own move to the public markets.

"We need access to capital, stock options to retain and attract senior management and the freedom being a public company brings," he said. He added that a listing without the US business would halve the probable listing valuation.

Mr Fromont's remarks come just two weeks after NEC announced the restructuring of its operations after running up heavy losses. The US business was ring-fenced, and investment put in in an attempt to turn it round. Europe and Asia Pacific became a stand-alone business, which in effect freed it to seek additional funding from banks.

That transaction put a valuation of $450m on the European and Asia Pacific operations. Mr Fromont said the company was confident its strategy over the next 12 to 18 months would earn it a $1bn valuation from stock market investors.

The US business has been badly hit by the tough competition in the PC market, where Dell has established itself as one of the most profitable manufacturers with its direct-to-home sales.

Mr Fromont said the US business had this year to recover. Otherwise, senior management of the European company, which is owned around 80 per cent by NEC and 20 per cent Groupe Bull, would discuss getting its own listing.

However, the European operations have not been immune from the competition in the PC market.

Profits fell from $30m to $10m last year on sales of $1.1bn.

Mr Fromont said additional investment was being put into developing new channels in response to Dell's push into Europe.

The NEC brand would be used, Packard Bell remaining the main retail brand.

Ionian Bank boosts profits

By Kerin Hope in Athens

Ionian Bank, the state-controlled Greek bank due to be privatised this month, has surprised markets by announcing a jump in full-year pre-tax profits from Dr1.1bn to Dr12.6bn ($43m).

A strong final-quarter performance, with pre-tax profits of Dr7bn against a Dr3bn loss the previous year, helped Ionian recover market share lost during a two-month strike last April and May. Ionian's unions staged the strike in protest against the privatisation plan.

Haris Stamatopoulos, Ionian governor, said the bank's staff launched "a nationwide crusade" to win back business after the strike ended.

Income was boosted by gains on the bank's large portfolio of government bonds. Operating expenses declined from 78 per cent to 66 per cent of operating income, close to the Greek bank sector average, due to cost-cutting and an early retirement scheme.

After a sharp first-half decline, deposits and lending both showed growth, although Ionian's market share declined because it failed to keep pace with the sector's rapid expansion last year.

The sale of 51 per cent of Ionian, Greece's fourth-largest banking group with 4,100 employees, marks the biggest bank privatisation to date in the bank sector.

Ionian's share price rose 4 per cent yesterday on the Athens stock exchange to close at Dr17,850, giving the bank a market value of Dr499.8bn.

● OTE, Greece's public telecoms operator, announced consolidated net income of Dr214bn, an increase of just 5.6 per cent, writes Kerin Hope.

Operating revenues rose 15.1 per cent to Dr946.4bn, but operating expenses jumped 18.3 per cent to Dr632.2bn. Analysts said the unexpectedly sharp rise in operating expenses related partly to a management upheaval last December in which the government sacked the chief executive, but failed to replace him for six weeks.

NEWS DIGEST

POLAND

Mobile phone company to borrow €255.6m

Polish state-owned telecoms company Telekomunikacja Polska (TPSA) said yesterday its mobile telephone subsidiary Centertel would borrow €255.6m ($280.6m) through a syndicated loan to finance investments. Last year Centertel, in which TPSA holds 66 per cent and France Telecom 34 per cent, said it would invest 1.1bn zlotys ($278m) in 1999-2000 to build infrastructure for its digital GSM 1800 system.

Poland's treasury has received eight bids in a tender to be an adviser in the sale of a strategic stake in TPSA. Local press reports say the bidders include Schroders, which advised the government on the flotation of a 15 per cent stake in TPSA last year, Credit Suisse First Boston, Deutsche Bank, ING Barings, J.P. Morgan and Merrill Lynch. The government is planning in late spring to offer a stake of between 25 per cent and 35 per cent, worth between $1.8bn and $2.5bn.
Christopher Bobinski, Warsaw and agencies

TURKEY

Private bank lifts earnings

Isbank, Turkey's largest private sector bank and its biggest quoted company, reported net profits for 1998 of TL135,000bn ($381m) up from TL81,000bn which analysts said represented a 2.9 per cent drop in dollar terms. Mehmet Simsek, banking analyst at Bender Securities, said that based on average exchange rates for 1998, the bank's net profit was $518.8m compared with $534.3m the year before.

■ Burhan Karaçam, the general manager of Yapi Kredi, one of Turkey's four biggest private sector banks, has resigned because of differences with the conglomerate that controls the bank. Bank executives said that Mr Karaçam, whose title is equivalent to chief executive, disagreed with the management of the Cukurova group, whose interests range from shipping to manufacturing, over the group's rationalisation strategy. **Leyla Boulton, Ankara**

PETROCHEMICALS

Chemapol assets shrink

Chemapol Group, the Czech petrochemical conglomerate in bankruptcy since January, posted a preliminary, unconsolidated net 1998 loss of Kč8.8bn ($256m), after a Kč3.9bn loss in 1997, the company told the Prague Stock Exchange yesterday. Under Czech accounting standards, Chemapol's balance sheet showed that total assets shrank to Kč4.2bn from Kč12.4bn. The company gave no explanation. **Reuters, Prague**

BANKING NEW YORK INSTITUTION TAKES $97m CHARGE AS HEAVY EXPOSURE TO RUSSIAN MARKETS TAKES TOLL

Republic to shut underwriting arm

By John Authers in New York

Republic New York, the New York based international bank, yesterday announced that it was taking a $97m pre-tax charge to cover a drastic strategic restructuring which will see it quit the securities and derivatives underwriting businesses.

The bank had a greater proportionate exposure to Russia than any other US institution last year, and took a loss of $190.7m on Russian investment securities in the third quarter last year. This left it with an overall loss of $92.7m for the quarter and the bank indicated at that time that it would focus on private and retail banking.

Its share price has not enjoyed the recovery experienced by most of the banking sector since last October. In morning trading yesterday it gained $¼ to reach $45⅝, leaving it far short of its high of $73¼ set before the Russian financial crisis. It hit a low earlier this year of $36⅛.

Under the plan announced yesterday, which will take 18 months to implement, Republic hopes to make pre-tax savings of $67m a year. It will also shed 560 jobs, some of which will be outsourced. It will further attempt to improve its risk management by using a new reporting system which will quantify the earnings and risks taken in each division.

Dov Schlein, chairman, said the bank had decided to close its Republic New York Securities prime brokerage and its derivatives market-making division because they could not meet the bank's "hurdle" of a 15 per cent return on equity after adjusting for risk.

The bank said that both divisions had had "negligible" revenues in 1998.

Private banking, which made net income of $104.8m last year, almost half the bank's total of $220.2m, will be the core of the company, while it will also stay in several "niche" businesses, including its retail banking business in the New York metropolitan area, foreign exchange and precious metals trading.

Mr Schlein said the private bank, which is active in more than 80 countries, would consider acquisitions, and would look to build its asset management capabilities.

The bank also hopes to improve efficiency in its foreign exchange and precious metals trading business, partly through closing its market-making businesses. The global markets division would also be asked to design wealth management products for the private bank.

The retail branch network would also be required to increase cross-selling of private banking products.

Setback for heavy equipment maker

By Nikki Tait in Chicago

Low commodity prices and weak demand from customers in both the pulp and paper and mining industries caused Harnischfeger to report a $16.4m loss in the three months to end-January.

Sales at the Milwaukee-based capital equipment manufacturer which recently encountered problems with contracts in Indonesia, fell from $568m, to $465m, but the loss was smaller than in the same quarter a year ago when the company fell to a deficit of almost $25m.

It announced that it was laying off about one-fifth of its 3,100 employees last August, and said that this programme was now 90 per cent complete.

"Additional cost reductions have also been identified and are under way," the company said, adding that the full cost-reduction programme should bring annualised savings of more than $110m.

But Harnischfeger remained downbeat about prospects on the mining front, saying that copper, iron and other metals would "remain under pressure" for the rest of the year.

Further, it expected no new dragline order activity because of the weakness in coal markets.

It also predicted more mergers amongst coal producers, which could carry a long-term benefit on the equipment side but would probably depress demand for new machines further in the immediate future.

It also saw consolidation in the pulp and paper industry continuing, but said that while pricing would probably remain low, it "appears to have flattened out".

It suggested that demand for aftermarket parts would probably grow, but original capital equipment would continue to suffer from low levels of capital expenditure.

Lasmo expects to hit targets despite cuts

By Raymond Colitt in Caracas

Lasmo, the UK oil company, insists it will meet production targets and begin exploration at its *Dación* oil field in Venezuela, despite having cut its investment plan there by nearly half this year.

The company said it would boost production from the current 21,000 barrels per day to 30,000 b/d by mid-year and to 90,000 b/d by 2001. It would also move ahead with drilling six exploration wells. "We will meet all production targets as planned," said Roger Tucker, head of Lasmo in Venezuela.

Lasmo has said it will reduce its capital investment in Venezuela from $322m to $177m this year as a result of cashflow problems stemming from depressed world oil prices as well as better-than-expected production levels at Dación.

The bulk of the savings would come from delaying the construction of new facilities, said Mr Tucker. Instead the existing 40-year-old facilities would be upgraded with a health, safety and environment programme.

The company would dig between 45 and 50 production wells with a two-rig drilling programme and begin building the first part of its export pipeline.

Lasmo had also written off $29.7m of the value of Dación due to the drop in oil prices. Yet the company insisted the field was competitive world-wide with total production costs of only $2.60 per barrel.

"We stand by the performance of our asset," said Mr Tucker. "In these cash-constrained times it has given the company an opportunity to reduce capital expenditures while maintaining the production profile."

In June of 1997 Lasmo bid a record $453m for the rights to operate and explore the Dación field, the highest offer made by 130 qualified bidders for any of the 20 fields up for tender. Dación then was producing only 11,000 b/d.

The company's upbeat appraisal of its Venezuelan asset comes as most oil companies are focusing on low-cost production areas. In Venezuela several multinational operators have postponed important investment projects.

Apollo group wins day on Patriot refinancing

By Richard Waters in New York

Aggressive raider: Stephen Bollenbach, Hilton chief executive

Leon Black, the "vulture" investor who once ran the mergers and acquisitions department of Drexel Burnham Lambert, yesterday won the tussle over Patriot American, the most prominent casualty of the US real estate investment trust boom.

Mr Black's Apollo group was at the head of a group of investors that agreed to put up $1bn of fresh capital to keep the hotel group afloat.

As expected, the group, which included Boston-based buy-out fund Thomas H Lee, thwarted a rival bid from Hilton Hotels, which had offered to buy some of Patriot's hotels and put up a smaller amount of capital.

Hilton Hotels, under the leadership of Stephen Bollenbach, has been an aggressive raider of other hotel groups.

Patriot, which owns and manages 474 hotels, including the Wyndham chain, was hit in part by the heavy debt it took on during a buying spree in the mid-1990s.

It was further weakened by its use of a financial instrument that it had hoped would reduce the overall cost of its debt. Known as forward equity contracts, such instruments were popular among reits during 1996 and 1997, when their share prices were rocketing.

They amounted to agreements by reits to pay off their loans by issuing shares – fine as long as stock prices rise, but potentially cataclysmic once shares started to fall, as happened in early-1998.

Under the terms of yesterday's recapitalisation, the Apollo-led group will buy preferred stock representing 29 per cent of Patriot's equity. The company also said it had preliminary agreement on $2.45bn of additional debt financing from Chase Manhattan and Bear Stearns.

As part of the plan, Patriot will give up its reit status altogether, along with its name. While most reits are restricted in their ability to manage the properties they own, Patriot has been one of a small number of so-called "paired-share" companies that combine both a real estate-owning unit and a separate operating company.

However, in return for a preferential tax status, reits have to pay out 95 per cent of their net income in the form of dividends each year. That rule greatly reduces the financial flexibility of companies like Patriot when, as happened last year, the capital markets become wary of advancing them new funds.

NEWS DIGEST

TELECOMMUNICATIONS

Network Computer and US West plan internet TV

US West, the US telecommunications group, and Network Computer Inc, the privately owned internet-based set-top box software developer, plan to launch the first internet-based enhanced television service in America with telephony.

Using the @TV service, US West's customers will be able to send and receive e-mail, place and answer telephone calls and browse through TV channels and the web at the same time. The service will be based on set-top box technology which links a TV set to internet and telephone services using a high-speed DSL (digital subscriber line) or ordinary dial-up connections.

DSL technology runs on standard copper telephone wires but provides data transmission speeds up to 200 times faster than conventional modem connections. US West plans to test the service in selected urban areas and then offer the service to its 25m customers throughout the 14 western and midwestern states in its region late this year.

The US telecoms group is the latest network operator to adopt NCI's "internet appliance" software. All three leading UK cable television groups have recently signed deals with NCI, as well as Belgacom, Belgium's national telecoms carrier, and five of the leading cable companies and internet service providers in Japan. **Paul Taylor**

CAR AND TRUCK MAKING

Nissan revamps purchasing

Nissan, the Japan-based car and truck maker which has been seen as a potential acquisition candidate because of its weak financial condition, is to consolidate purchasing operations for its North American assembly plants, in Tennessee and Mexico, into a single organisation. The change comes as part of a broader effort by Nissan to revamp its ailing operations in North America. Last May, it announced plans to reduce costs, make operations more efficient, and revitalise its product line. Nissan has targeted a $1,800 saving in production costs per US vehicle over a three-year period. **Nikki Tait, Chicago**

LIFE SCIENCES

Gilead to buy NeXstar

Gilead Sciences has agreed to buy NeXstar Pharmaceuticals in a stock deal valued at about $550m, creating a biopharmaceutical firm with a global presence. The combined company, Gilead Sciences, will have three commercial products with total annual revenues of more than $100m. It will have a broad-based portfolio of anti-infective and oncology products, including three approved products and seven candidates in clinical development.

Under the terms of the agreement, NeXstar stockholders will receive 0.425 of a Gilead share, subject to adjustment based on the trading range of Gilead stock prior to completion of the merger. Based on the average closing Gilead stock price of $41.13 for the 20-day period ending February 26, NeXstar stockholders would receive $17.48 in value for each share of NeXstar stock.
Reuters, Foster City, California

FOOD INDUSTRY COMBINED COMPANY 'WILL BE BIGGER THAN ICI'

Danisco plans to acquire Cultor

By Tim Burt in Stockholm

Danisco, the Danish food products and packaging company, yesterday announced plans to create the world's largest food ingredients group by acquiring Cultor, its Finnish rival, for DKr9.5bn ($1.4bn).

The enlarged company, boasting combined annual sales of almost DKr30bn and 19,400 employees, is expected to overtake ICI of the UK as the global leader in food enzymes, flavourings and emulsifiers. Following the takeover, Danisco will also command a strong presence in sugars and artificial sweeteners.

The company stressed, however, that it had no plans to expand into genetically modified foods – the subject of a recent environmental furore in the UK over the safety of such products.

"This deal allows both companies to realise the ambition of forming a Nordic-based supplier to the global food industry," said Alf Duch-Pedersen, Danisco chief executive.

Mr Duch-Pedersen, who will lead the enlarged group, said the takeover signalled the most important step in Danisco's strategy of focusing on food ingredients and flexible packaging.

Once the takeover has been completed, he hinted that Danisco would embark on a hefty non-core disposal programme involving a phased withdrawal from frozen foods, corrugated packaging, beverages and fish feed.

In all, subsidiaries with annual sales of DKr9bn have been earmarked for sale. Mr Duch-Pedersen declined to put any timetable on the disposal programme or to predict the number of jobs affected.

Most food industry analysts welcomed yesterday's deal, describing it as an "ideal match" between two complementary companies. "Cultor was too small to sustain the research and development in food ingredients, but together the two companies will be stronger in this area," said Anne Alexandre at Credit Suisse First Boston in London.

In Helsinki, Cultor shares rose €9.50 to €17.25 compared with Danisco's offer price of €18 a share. Shares in the Finnish group have underperformed in recent months amid concerns that it lacked the critical mass to withstand a downturn in some of its main products.

Danisco shares increased modestly by DKr1 to DKr331 in Copenhagen, even though it said earnings per share in the merged company would increase only "within four years". The Danish group, advised by Deutsche Bank, is financing the transaction from cash reserves and debt. Cultor was advised by Schroders, the investment bank.

Music bonds are failing to prove chart toppers

The stars have been slow to respond, write **Alice Rawsthorn** and **Khozem Merchant**

It is two years since the banking community watched gleefully as investors scrambled to subscribe to a $55m bond issue backed by the future earnings of David Bowie, one of the world's top pop stars.

Convinced that the "Bowie Bond" would open up a lucrative new market, investment banking groups such as Nomura and specialist boutiques, approached singers, songwriters and rock groups in the hope of persuading them to launch similar issues.

Some agreed. Rod Stewart, another 1970s icon, raised $15.4m from a loan securitised against his future earnings. Holland Dozier Holland, the songwriting trio, staged a $30m private placement against forthcoming royalties from such soul classics as *Baby Love* and *Where Did Our Love Go?*. A few weeks ago, Iron Maiden, the British heavy metal band, completed a $30m securitised deal.

Several lower profile issues have also been concluded. Yet two years after the "Bowie Bond" the development of the market for securitising music royalties has been significantly slower than the banks expected. "This was and remains a small market," says Dorian Klein, of Merrill Lynch's structured finance unit in London. "There has been more hype than deals."

Why has the market failed to fulfil the banking community's expectations? One explanation is the impact of the changing economic climate on the financial markets and general investment trends.

At the time of the "Bowie Bond", the global economy was still buoyant and, after years of low interest rates, investors were anxious to find alternative vehicles to low-yielding US Treasury bonds.

Royalty bonds, and other issues securitised by the future income of performers and composers who, like David Bowie and Rod Stewart, had been successful for long enough to give a reasonable indication of their earnings potential, looked like an attractive option.

However, investors have become warier of experimenting with new types of investments since global financial conditions deteriorated last summer. They have also shown a marked preference for liquid assets, and royalty bonds are illiquid because there is no secondary trading on them.

Another problem for the banks has been that only a handful of recording artists actually own their own master tapes (the rights to the original recordings) as David Bowie does. The vast majority, like Rod Stewart, ceded control of their mastertapes to their record companies in their recording contracts and receive royalties simply on the income generated by them.

Ch-changes: enthusiasm that greeted 'Bowie Bond' has gone PA

As a result, Nomura, the bank behind Rod Stewart's loan, could not justify staging a bond issue against his future royalties. Instead, it negotiated a $15.5m securitised loan with him, and then tried to clinch similar deals with other stars in the hope of rolling them into a joint bond issue. These piecemeal deals are labour intensive for banks, and less glamorous than a big issue like the "Bowie Bond".

"A year ago there was lots of talk and we were expecting lots of interest, but instead we got small deals and pooled deals," says one royalty bond specialist in New York.

However, the overwhelming difficulty for the banks has been the reluctance of rock and pop stars to participate in securitised issues.

One reason for their reluctance is that the most commercially successful acts, who would be most sought-after by investors, are already so wealthy that they are unlikely to need extra cash.

Finally, to derive the full financial benefit of a securitised loan, musicians or composers need to be taxed in the US.

The benefits are considerably lessened in other fiscal regimes, notably the UK. This consideration has dissuaded some UK-based acts from participating in such issues.

It has also deterred a number of the rock groups, such as the Rolling Stones, whose members are resident in different countries.

Despite these difficulties, the market for royalty-backed issues is not defunct. Other Iron Maiden-style deals are in the pipeline, largely orchestrated by small banking boutiques. Riaz Vilani, investment banker at Global Entertainment Capital LLC, which arranged the Iron Maiden transaction, says that his bank is currently working on 10 similar deals.

Japan's car and truck sales continue to fall

By Alexandra Harney in Tokyo

The slump in car sales in Japan stretched into its 23rd month in February, as sales of every vehicle category except buses registered significant declines.

Figures released by the Japan Automobile Dealers Association, the leading industry group, showed that car and truck sales fell 9.9 per cent against the same period last year to 357,485 units. Truck sales recorded the sharpest decline, falling 21.2 per cent, reflecting the contraction in corporate capital spending.

However, the data did not include mini-car sales, which have showed stronger-than-expected growth despite the prolonged recession since regulations were changed last year. Analysts said the results reflected seasonal weakness in the market at the end of the fiscal year as well as sluggish consumer demand, which was prompting carmakers to restructure their manufacturing and sales operations.

Car sales slid 5.4 per cent to 265,585 units. Suzuki Motor and Daihatsu Motor, which specialise in small vehicles, showed the largest declines, falling 47.6 per cent and 65.4 per cent respectively. However, analysts said this was because mini-cars, or vehicles with engine displacement of 660cc or less, were excluded.

The most surprising results were from Nissan Motor, the troubled number two carmaker, which is negotiating with DaimlerChrysler about a possible capital alliance. Nissan and Nissan Diesel, its truck and engine arm, both recorded heavy declines. Nissan sales fell 16.4 per cent and Nissan Diesel 21.8 per cent, according to JADA.

Nissan also saw its market share shrink 1.8 points compared to the same period last year, falling to 20.6 per cent.

The weakness in the market hit even the stronger carmakers. Toyota Motor, Japan's biggest carmaker, posted a 4.4 per cent decline. Mazda Motor, which is owned 33.4 per cent by Ford Motor of the US, saw sales slip 13.9 per cent.

Analysts pointed to the 7.7 per cent improvement in bus sales to 1,152 units as evidence of an area where the government's stimulus package might be making an impact. Municipal governments account for the majority of bus sales, and many localities have curtailed spending because of financial difficulties in recent months.

"I think we are seeing signs that we might be close to the bottom," said Stephen Usher, analyst at Jardine Fleming in Tokyo. But a broad recovery in the market was unlikely without an improvement in Japan's economy or additional stimulus, he warned.

Thai banks try unusual issues to raise capital

By William Barnes in Bangkok

Thai banks have resorted to unusual capital raising exercises to lure cautious investors and to try to avoid sharp dilutions in controlling shareholders' equity.

Thailand's 15 commercial banks will collectively have to raise $3bn if only half their current non-performing loans are written off.

Thailand's state-controlled Krung Thai Bank said it would increase its capital by Bt20bn ($536m) after Tarrin Nimmanahaeminda, the new finance minister, insisted the management reverse a day-old decision to scrap plans to raise capital by Bt5bn.

The bank said it would issue 2bn new shares at a 10 baht par value to existing shareholders. The capital base is currently Bt34.85bn.

Krung may have earlier tried to exploit the unexpected absence of a jump in capital adequacy requirements to 15 per cent in the previous government's financial restructuring scheme announced last month. For the moment they remain at 8.5 per cent.

The fresh funds will raise actual capital adequacy from 8.9 per cent to 11.7 per cent. Non-performing loans were 10.3 per cent at the end of September.

Meanwhile, the Singapore-controlled Thai Danu Bank has announced two issues of Capital Augment Preferred Shares – equity bundled with debentures – along with a rights issue worth Bt12bn-Bt17bn.

DBS Thai Danu – as the bank will be renamed to reflect the Development Bank of Singapore's control – will raise funds in three tranches. A one-for-one rights offer is expected to bring in at least Bt5.5bn. The main CAPS issue of preferred shares bundled with subordinated debentures will be sold locally as unit trusts to raise between Bt5bn and Bt10bn. It also expects to get up to Bt1.5bn from a private placement of CAPS, bundled with convertible debentures, to DBS in Singapore.

Taken together with a proposed Bt4bn swap of debentures for state bonds with the central bank, the bank said the whole campaign will lift its capital adequacy ratio from 9.2 per cent at the end of last year well into the regulatory comfort zone at 19.8 per cent.

The two biggest private lenders – Thai Farmers Bank and Bangkok Bank – led the way in February with issues dominated by quasi-equity worth about Bt40bn each.

FORESTRY PRODUCTS HEAD'S DEPARTURE FOLLOWS SHARP FALL IN PROFITS AND BUNGLED EXPANSION STRATEGY

Ahlgren quits top job at AssiDomän

By Tim Burt in Stockholm

AssiDomän, the troubled Swedish forestry products group, yesterday announced the departure of Lennart Ahlgren, chief executive, following a sharp fall in profits and bungled expansion strategy.

The company, in which the Swedish government holds a 50.25 per cent stake, said Mr Ahlgren had agreed to quit after calls for a change of leadership at a weekend board meeting.

"The phase that the company must now embark upon will require a stronger emphasis on business and marketing," said Olle Lund, AssiDomän chairman. "This requires a different leadership profile."

AssiDomän, with a large exposure to carton board, corrugated and timber products, has looked increasingly vulnerable following the recent consolidation wave in the pulp and paper sector. Only the government's large holding has saved it from becoming a takeover target, according to some analysts.

Such analysts blamed Mr Ahlgren – chief executive since the 1994 formation of state-owned paper companies Assi and Domän – for failing to capitalise on forestry assets the size of Belgium and a disastrous investment strategy in Russia. He is set to receive compensation totalling SKr12.6m ($1.53m) for loss of office, equivalent to three years' salary.

The pay-off is likely to be criticised by Swedish opposition politicians and union leaders, who yesterday claimed the company's recent performance did not justify such compensation.

In the past year, AssiDomän's share price has declined by 22 per cent. Last month, the company unveiled a 31 per cent fall in pre-tax profits – down from SKr1.46bn to SKr1bn for 1998.

Mr Ahlgren's tenure was also overshadowed by a recent controversy over plans to spin off about 900,000 hectares of forest land into a separate company. The proposal prompted a warning from Sweden's agriculture board that it breached the country's land purchase laws.

Mr Lund said AssiDomän would conduct a comprehensive strategic review following Mr Ahlgren's formal departure next month. "We must find out how best to improve profitability," he added.

Roger Asserstahl, currently deputy chief executive, and Sven Eric Lundström, chief financial officer will lead that review. Mr Asserstahl will also take over as acting chief executive until a successor to Mr Ahlgren is found.

AssiDomän's most commonly traded shares yesterday rose SKr2 to SKr147.

TV Azteca chief pledges rescue

By Henry Tricks in Mexico City

Ricardo Salinas Pliego, chairman of TV Azteca, has told shareholders the Mexican broadcaster is in trouble, a rare act of contrition anywhere in Mexico, let alone by one of its brashest tycoons.

In a conference call to investors yesterday, he promised to improve Azteca's very poor audience ratings, as well as cut costs. He also dispatched a public relations company to ask media analysts how Azteca could improve its image.

This charm offensive followed a 34 per cent slump in operating profits reported by Azteca in the fourth quarter, and $8m in net profits for the year, down 94 per cent from 1997.

Mr Salinas warned that the first quarter of 1999 would be even tougher, acknowledging what his main broadcasting rival, Televisa, has been saying since mid-1998: that Azteca, after a fighting start since privatisation five years ago, has floundered in the ratings war.

The poor performance has already turned Azteca's stock price into the weakest in Mexico this year. Its market capitalisation has withered to $785m from more than $3bn in 1997 when it was broadcasting trendy soap operas that challenged macho attitudes in Mexico and delved into the taboo area of politics.

Charm offensive: Ricardo Salinas Pliego has vowed to lift ratings

Its decline has also coincided with setbacks in other parts of Mr Salinas's business empire. His retail chain, Elektra, which offers credit to low-income Mexicans to buy electrical goods, has been hit by high interest rates since last August, and sales have suffered.

Due to funding problems, his communications company Unefon has also so far failed to pay the $330m it bid for a licence to provide a fixed wireless telephone service in Mexico. Yesterday, despite promising minority shareholders better treatment, he spooked them by suggesting that Azteca might be forced to take a partial equity stake in Unefon to help raise the funds, analysts said. It was forced to seek an extension of the deadline in September, though analysts say it has recently secured $250m from a consortium of private equity investors.

But with less of his trademark bravado than usual, Mr Salinas insisted Azteca was not beaten. He announced a series of steps aimed at improving ratings and cutting costs, such as replacing non-performing producers, slicing 10 per cent off the production budget and focusing resources on prime time. The intention is to complete these initiatives by July.

Whitney Johnson, media analyst at Salomon Smith Barney, the US investment bank, said Azteca had "a proven ability" as a cost-cutter. But whether it would win more viewers remained an open question. Also she was cautious about earnings growth until 2000, when presidential elections, a rebounding economy and the Olympics are expected to boost advertising.

Investors have been relieved by Mr Salinas's frankness, which they hope will improve his often strained relationship with his shareholders.

Mr Salinas, who owns or controls more than 70 per cent of Azteca's shares, has often run into trouble in the past for what analysts see as a cavalier attitude to minority shareholders.

Last year he caused irritation by announcing that Unefon, which he personally controls, would receive services from his listed companies Azteca and Elektra, but defer most payments to them for three years.

His outspokenness has also irritated the government. Recently he was forced to retract a statement that the peso, Mexico's currency, was "rubbish".

But Damian Fraser, chief Mexican analyst at Warburg Dillon Read, said his candid remarks could mark the start of a new era in his often-troubled relations with investors.

Barrick fills top positions

By Edward Alden in Toronto

Barrick Gold, the Canadian gold producer, has moved quickly to fill several top posts after the unexpected resignation of Paul Melnuk, chief executive.

Randall Oliphant, previously Barrick chief financial officer, was named president and chief executive yesterday, while John Carrington added the position of vice-chairman to his role as chief operating officer.

Mr Oliphant, 39, had been chief financial officer since 1994, and was one of the architects of Barrick's gold hedging programme, widely acknowledged as the most successful in the industry.

Hedging allowed Barrick to realise more than US$400 per ounce of gold in 1998, $106 above the average spot price.

Jamie Sokalsky, treasurer and the director of the hedging programme for the past six years, was appointed chief financial officer.

Mr Melnuk, who had been chief executive at Barrick for less than a year, resigned for unspecified personal reasons just before the company released record profits for 1998.

COMPANIES & FINANCE: UK

Sun Life to raise premiums

By Andrew Bolger, Insurance Correspondent

Lord Douro (right) with Mark Woods, chief executive: markets remain highly competitive — Sinead Lynch

Sun Life & Provincial Holdings, the UK arm of the French insurer Axa, yesterday became the latest UK insurer to signal higher premiums in the household and commercial property sectors, where rates have been flat in recent years in spite of large weather-related losses.

Sun Life said it intended to increase household insurance premiums by 4 per cent from April and commercial property rates by 5 per cent. Andy Homer, chief executive of general insurance, said: "We have to push prices up – even if we lose some business."

Last week CGU, the UK's largest composite insurer, and Norwich Union, both said they were determined to increase general insurance premium rates.

Mr Homer said Sun Life's personal motor premiums had increased by 11 per cent last year through its direct channel and by 8 per cent through intermediaries. Motor fleet rates, one of the most competitive areas of the market, had been increased by 11.5 per cent.

He said: "We are going to see double-digit increase in motor premiums in 1999, and there is no evidence this is running out of steam."

Meanwhile, Sun Life said its proposed merger with rival insurer Guardian Royal Exchange was now expected to generate annual cost savings of £55m ($88m) – up from its initial estimate of £50m. The company said its £3.2bn offer for GRE would move the combined operation to third position in the UK life market, third place in general insurance, and second largest in health insurance.

Mark Wood, *group chief* executive, said it was not clear where most shareholder value lay regarding GRE's Irish operations and life insurance business, so both areas would be subject to a strategic review by the enlarged group lasting four or five months.

No options would be excluded, including disposal or integration, he added.

Sun Life's operating profit from continuing activities was £247.1m last year, up 14 per cent on the previous 12 months.

Underlying earnings per share rose by 18 per cent to *21.1p. A final dividend of* 9.1p (7.9p) gives a total of 13.5p, an increase of 15 per cent.

Operating profit from the life and pensions division was up 21 per cent to £210m, and embedded value was up 15 per cent to £1.46bn.

In general insurance, operating profit was down to £26m from £52m the previous year. The company said Axa Insurance's underlying performance, in spite of an underwriting loss of £35.4m, was commendable in a highly competitive market.

Asset management generated operating profit before *tax of £29.1m, up 24 per cent.*

Lord Duoro, chairman, said: "While the current year has started well, nonetheless the markets in which we operate remain highly competitive and the and the financial markets continue to be volatile and highly priced."

RESULTS

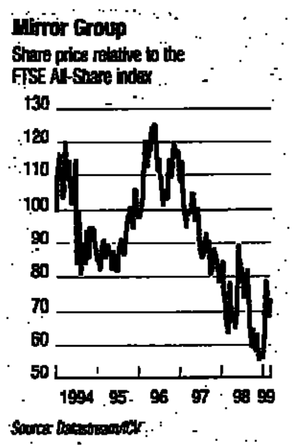
		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Aegis	Yr to Dec 31	4,130	(3,653)	50.6	(45.6♥)	4	(3.8)	0.5	July 1	0.4	0.85★★	0.7
Aggreko	Yr to Dec 31 ✲	178.9	(163.3)	39.3	(33.2)	9.48	(8.15)	2.47	May 28	-	4.12	3.77
ATA Φ	Yr to Dec 31	6.86	(4.72)	1.09	(0.88)	12.12†	(10.43)	3.8	Apr 1	-	5.8	-
Billiton $	6 mths to Dec 31	2,622	(3,050)	310	(458)	7.8†	(12)	3.5	Apr 16	3.5	-	10.5
Bisichi Mining	Yr to Dec 31	3.05	(3.75)	0.209♥	(0.368)	1.64	(2.16)	1	Aug 26	0.9	1	0.9
British Polythene	Yr to Dec 31	470	(453.8)	21.5♠	(23.2)	36.19	(41.21)	14	May 14	13.6	21	20.1
Burmah Castrol	Yr to Dec 31	2,837	(2,936)	225♠	(237.7♠)	60.7	(58)	29	-	13.5✶	43★★	40.5✶
Cale	6 mths to Dec 31	44.1	(46.4)	5.52	(4.93)	8.04†	(7.89)	1.55	Apr 9	1.45	-	4.45
Close Brothers	6 mths to Jan 31	-	(-)	33.2	(36.8)	18.35	(20.15)	5.3	Apr 16	4.8	-	14.4
Coutts Consulting	Yr to Dec 31	42.1	(35.5)	3.33	(8.46♠)	0.76	(20.21)	nil	-	0.1	0.25	0.1
Dixons Motors	Yr to Dec 31	637.7	(413.5)	11.01♥	(8.66)	26.5†	(26.3)	6	Apr 30	5	9	7.5
Domestic & General	6 mths to Dec 31	49.7	(45)	7.26	(6.65)	14.38	(13.19)	4	May 6	3.5	-	11.15
Downtex Φ	Yr to Dec 31	6.1	(6.3)	0.311	(0.263♠)	2.23	(2.18)	1.25	May 1	-	1.25	-
English China Clays	Yr to Dec 31	834.4	(845.2)	84.4	(88.5)	21.62	(21.76)	nil	-	7.5	5.5	13
Firstlet	6 mths to Dec 31 ★	243.7	(175.1)	13.9	(14.4)	11.2†	(12.7)	2.8	Apr 9	2.7	-	8.9
Grafton €	Yr to Dec 31	427.6	(327.6)	28.2	(23.2)	149.7	(123)	17.06	Mar 31	14	27.56	22.5
Hays	6 mths to Dec 31	878.9	(734.8)	110.1	(88.3♠)	9.2	(7.4*)	2	May 28	1.725*	-	5.35*
Hodder Headline	Yr to Dec 31	102.5	(93.2)	9.37	(8.17)	17.9	(15.8)	5.55	May 19	5	8	7.2
Horace Small	6 mths to Sept 30	34.5	(39.3)	9.271♠	(6.33L♠)	27.1	(18.6)	-	-	-	-	-
Ullesthall	Yr to Dec 31	94.7	(98.2)	18.1L♠	(3.94♠)	68.4L	(6.7)	nil	-	3.15	1.5	5
London & Assoc	Yr to Dec 31	7.44■	(6.22■)	2.01	(1.82)	2.04	(2.4)	1	July 19	0.9	1	0.9
London Finance	6 mths to Dec 31	-	(-)	0.108	(0.17)	0.51	(0.5)	-	-	0.5	-	0.9
London Pacific $	Yr to Dec 31 ★	-	(-)	34.7♥	(38.2♠)	46.3	(42)	15#	Apr 7	13	29	29
Marshalls	Yr to Dec 31 ✲	253.9	(241.3)	33.5	(14.5♠)	15.7	(2.57)	4.67	July 1	3.33§	7	5.33§
Mayflower	Yr to Dec 31 ★	495.2	(392.7)	23.1♠	(29.2♠)	4.7	(2.5)	2.2	May 17	1.83	3.3	2.75
McBride	6 mths to Dec 31	248.4	(234.4)	8.6♠	(16.2)	2.9	(6.9)	2.5	May 18	2.5	-	7.5
Ocean	Yr to Dec 31	1,327	(1,164)	81.4	(302.2♥)	36.1	(157.3)	12.1†	Apr 1	11.2	17.95	16.6
Pendragon	Yr to Dec 31	1,272	(983.7)	18.74	(15.1)	21.21	(21.2)	8	-	7.1	12	10.7
Perkins Foods	Yr to Dec 31	328.1	(326.2)	55.1♥	(28)	29.7†	(9.7)	2.85	May 17	2.8	4.55	4.6
Redrow	6 mths to Dec 31	161.7	(148.5)	26.1	(23.2)	8.6	(7.3)	1.5	May 21	1.35	-	4.05
Sherwood Intl	Yr to Dec 31	42.6	(30)	5.49	(3.1)	39.9	(23.8)	4.4	May 7	3.6	6.6	5.4
Sun Life & Prov	Yr to Dec 31 ★	3,633□	(3,364□)	325.6♥	(383.3♥)	27	(30)	9.1†	May 14	7.9	13.5	11.7
Tetra	6 mths to Nov 30	18.5	(13.3)	1.53	(2.61♠)	3.83†	(15.23)	-	-	-	-	0.6
Trinity	Yr to Dec 31	342.4	(324.8)	83.8♥	(64.1♥)	45.4	(31.9)	10.1	May 7	9.2	14.5	13.2
Whatman	Yr to Dec 31 ★	96.3	(92.9)	15	(14.6)	40.79	(38.11)	11.1	May 5	10.3	17.1	15.5

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Beta Global	Yr to Dec 31	115.6	(183.4)	0.12	(0.633L)	0.2	(1.1L)	-	-	-	-	-
Dresdner RCM	6 mths to Dec 31	88	(-)	0.885	(-)	2.57	(-)	1.4★★‡‡	Apr 1	-	-	-
Foreign & Colonial	Yr to Dec 31	227.41	(203.41)	34.2	(30.1)	3.25	(2.86)	1.91	Apr 26	1.03	2.77	2.51★★

Earnings shown basic. Dividends shown net except #Gross throughout. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional credit. ✲Comparatives pro forma. ΦAim stock. $US currency. †On increased capital. ✶Foreign income dividend. ★★Includes FID element. ★ Comparatives restated. €Euros; dividends stated in Irish pence. *Adjusted for scrip issue. §Annualised ■Property income. ‡On reduced capital. ☆Comparatives pro forma and restated. □Net premiums. ‡‡Second interim; makes 2.6p to date.

COMMENT

Mirror Group



How much further can the auction for the Mirror Group run? Yesterday's cash and shares offer from Trinity, which values the newspaper group at about 215p per share, is already generous enough. Adding another 15p or so to secure Mirror's approval and see off the 200p cash offer from Regional Independent Media would probably destroy value. At 230p per share, the level likely to secure the agreement of Sir Victor Blank, Mirror chairman, the cost of buying Mirror and assuming its £500m ($800m) net debt pile would exceed £1.5bn. Trinity can count on about £15m in savings from the two companies' overlapping regional newspaper interests, which would take Mirror's forecast 2000 operating profits to about £150m-£160m. But, after tax, this would leave a return on investment of just 7 per cent, well below Trinity's cost of capital. Given the scale of investment required at the Mirror's ailing Sunday newspapers, offering more upfront seems unwise. Trinity's best bet would be to hold fire, secure Monopolies and Mergers Commission approval and then leave it to Mirror's shareholders to decide on its fate for themselves.

Bank of Scotland

Mixing money and religion is a delicate business. In starting a direct banking venture with Pat Robertson, the US television evangelist, Bank of Scotland clearly believes it could *also be a lucrative one. If the tie-up genuinely* gives BoS access to the 55m viewers of Mr Robertson's Christian Broadcasting Network, the bank could be right. After all, BoS has already tested the affinity group principle in the UK, allying itself with the less spiritual J. Sainsbury supermarket chain. Within two years, Sainsbury's Bank has captured 800,000 customers, just under 10 per cent of the targeted group – the supermarket's 9m loyalty card holders. A similar penetration of Mr Robertson's flock would give the new bank more than 5m account holders. The key will be to hold down costs. Administration should be kept cheap through outsourcing. Mr Robertson will probably provide airtime on his channel for advertising in return for a chunk of equity. Every penny counts. Despite its impressive take-up, start-up and customer acquisition costs mean Sainsbury's Bank has yet to reach profitability. If BoS can find more, cheaper customers through Mr Robertson, it could have itself a winner.

Scholey to head Close Brothers

By Jane Martinson, Investment Correspondent

Sir David Scholey, credited with building SG Warburg into one of the UK's biggest investment banks before selling it to Swiss rivals, is to become non-executive chairman of Close Brothers, one of the few remaining UK independents.

Close Brothers announced the appointment yesterday as it reported better-than-expected pre-tax profits, which fell from £36.7m to £33.2m ($53.1m) in the six months to the end of January.

Sir David, who has been tipped for several higher profile City jobs in the three years since he stepped down as chairman of SBC Warburg, is to become a non-executive director before taking over as chairman in October. He replaces Michael Morley, who is retiring a year earlier than planned due to ill health.

Sir David, once tipped as a possible governor of the Bank of England, was coy about his plans for Close Brothers. But he offered support for its independent status. "There will always be a future for good businesses in any sector," he said.

The group expanded its investment banking activities into continental Europe last year. It also said yesterday that it had further ambitions in several niche areas such as asset management.

Shares fell 32½p to 632½p yesterday, which surprised several analysts who blamed profit-taking after a sharp rise in the shares since the beginning of the year. At least two brokers upgraded year-end forecasts to above £65m following the results.

Allied Domecq works towards demerger

By John Willman, Consumer Industries Editor

Allied Domecq, the world's second largest spirits group, is working towards a demerger which could lead to a separate listing for its leisure and retailing division which includes the Firkin pubs in the UK and Dunkin' Donuts, the fast-food chain.

The demerger would leave the spirits division, which makes Ballantine's scotch whisky, Beefeater gin and Sauza tequila, free to tie up with another group to create a rival to Diageo, the world's largest drinks group formed in 1997 by merging Grand Metropolitan and Guinness.

Allied has been in talks with most of the larger spirits producers over a merger, with the expectation that the leisure and retailing division would subsequently be sold. In the absence of a deal, however, the UK group is prepared to demerge to boost its share price which has fallen from 634p in April last year to 473p yesterday.

"Anyone who believes the two halves of this business will be together in five years' time is seriously deluded," said a senior executive.

Analysts see the appointment of Philip Bowman as finance director, announced in October, as prelude to a split. Mr Bowman, a former finance director of brewing group Bass, has experience as chief executive of a listed company, having run Coles Myer, the Australian retailer.

Mr Bowman has been taking a hands-on approach to sorting out the troubled pubs division where poor trading at the end of 1998 led to a profits warning at Allied's annual meeting in January which knocked almost a fifth off the share price.

"He is spending an awful lot of time doing what is the role of the chief executive of the pubs business," said one analyst. "He talks and acts like a chief executive," said another.

Allied has also redeemed various loan notes in recent months which were possible obstacles to a demerger. These were taken out by the spirits businesses but secured on the earnings or property of the UK pubs.

Tony Hales, chief executive, would say only that a split was a matter of pragmatism rather than great principle.

"We're removed all the technical impediments to demerger and have a lot of strategic freedom to move," he said. "But there needs to be a positive reason to proceed."

He added that the difficulties in the pubs business could make a demerger difficult in the immediate future. But he said further consolidation was inevitable in the drinks industry.

"We expect it to happen, our doors are open but we are waiting for a move from other parties. In 10 years, there will be only three big players with a lot of rationalisation in the middle group."

Most speculation has centred on a tie-up between Allied's spirits division and Seagram, the Canadian entertainment and drinks group which is the world's third largest spirits producer by volume.

Late last year Seagram ended talks between the two groups over closer working arrangements ranging from joint ventures to merger, in order to complete its acquisition of Polygram.

Burmah set to return £280m

By Lucy Smy

Burmah Castrol, the lubricants and chemicals group, yesterday said it would return £280m ($448m) to shareholders in May, with the aim of lowering its cost of capital and raising returns.

The shares jumped 44p to 859p on the news, which was the latest in a series of announcements of pay-outs to shareholders by UK businesses, including Unilever, Centrica, Halifax and Associated British Ports.

Analysts expect the return on capital to increase earnings per share by 5-6 per cent this year and by about 10 per cent in 2000.

The cash pay-out will take the form of a share split of existing shares into ordinary and capital shares. The capital shares would then be bought for 131p in cash or loans and cancelled, cutting the number of shares in issue by 16.7 per cent.

The company announced its intention to return at least £250m to shareholders a year ago, but the increased amount stated yesterday surprised analysts who took it as a clear signal of the company's strength.

Burmah Castrol said 1998 profits were only marginally lower yesterday, despite tough world chemicals markets.

Many analysts had expected Burmah to be badly hit by the economic downturn in south-east Asia, where the group had been focusing much of its efforts for the last few years. However Tim Stevenson, chief executive, said: "In constant currency terms we made the same amount there in 1998 as 1997."

Taking into account currency translation, the group made a full year pre-tax profit of £235m after an exceptional charge of £14.3m, down from £237m after a £42m exceptional in 1997, on turnover of £2.84bn ($2.93bn).

The company's aggressive marketing campaign and expansion into southern China cost about £5m in 1998, and the venture, marketing oil for scooters and motorbikes, is not expected to move into profit until 2001. However, Mr Stevenson said: "In terms of growth, it is tremendously exciting. There are 8m new bikes sold there every year, and each bike uses 6 litres of oil."

As well as difficult markets in south-east Asia, Burmah also increased its bad loans provision in Russia by £7m, and said it was cutting non-marketing expenditure in South America until trading conditions improve.

In Europe, Burmah is planning a three year, £110m restructuring, which it said would create benefits of £20m in 2000, and more than £30m per year in the following three years.

Aegis aiming to become market leader in US

By Thorold Barker

Aegis, the media buying group which makes more than 85 per cent of its revenues in Europe, has set itself the target of becoming the US market's biggest revenue earner in five years.

The group, which reached the top ten after just two years, is also looking to build its Asian and South American businesses by acquisition and could spend about £50m-£100m ($160m) over the next few years.

Crispin Davis, chief executive, said clients increasingly wanted a global service and Aegis needed to get a foothold in six key markets in Asia and Latin America before its coverage was complete.

He said the group would return cash to shareholders if it could not find the right deals.

Pre-tax profits rose to £50.6m (£45.6m) on turnover of £4.13bn ($3.65bn) for the year to December 31. Global net new business rose by $770m, including $380m in the US, giving Aegis a 1 per cent share - the market leader has about 3 per cent. In Europe, where Aegis has 12 per cent, net new business was $432m.

Gross margins rose from 5.3 to 5.4 per cent as the group increased income its strategy planning and other value-added services, reducing dependency on lower margin media buying.

The group spent £17m on acquisitions, including Freeman Associates, a Boston-based agency specialising in internet advertising and high-tech markets.

A final dividend of 0.5p makes 0.85p (0.7p) payable from earnings per share of 4p (3.8p).

The shares rose 2½p to 123p.

Crispin Davies: clients increasingly wanted a global service — David Ahmed

Mirror to consider TV assets sale

By John Gapper, Media Editor

The board of Mirror Group, the newspaper company, will today consider the possible sale of its television assets after it yesterday rejected an £972m ($1.55bn) takeover offer from Trinity, the regional newspaper publisher.

The chances of an immediate bid battle for Mirror receded yesterday after it rejected Trinity's cash and shares offer. Trinity is now thought likely to refer its interest to the Monopolies and Mergers Commission.

Mirror is expected to signal at its preliminary results on Thursday that it is likely to sell its 18.6 per cent stake in Scottish Media Group, currently worth £102m, and will also consider offers for its Live TV cable channel.

It is also likely to disclose plans to relaunch the former Sporting Life newspaper as an internet website including some electronic commerce.

The plans have emerged from a strategic review by John Allwood, its chief executive.

Trinity yesterday tabled an offer of 0.35 Trinity shares and 40p in cash for each Mirror share. The offer started the day valuing Mirror at 210p per share, but rose in line with Trinity shares to value it at 213¼p.

Trinity, advised by Greenhill & Co and Salomon Smith Barney, said it would take a few days to decide on its next move. But it is thought most likely to refer the offer to an MMC inquiry that could take five months.

Philip Graf, Trinity's chief executive, insisted that the offer was "not a sighting shot. It is a good and fair offer". Mirror, which had previously discussed a merger with Trinity said the offer did not value it adequately.

Mr Graf said Sir Victor Blank, Mirror's chairman, would be deputy chairman of the new company under its current offer. Sir Victor was to have chaired the merged group under the previous Trinity Mirror merger plans.

Billiton's $1.5bn investment drive

By Gillian O'Connor, Mining Correspondent

Billiton, the second-largest mining company listed in the UK, spent $1.5bn (£936m) expanding operations in the past six months, with the aim of capitalising on depressed prices for mining assets.

The investment drive stopped short of the big acquisition some analysts had hoped for.

It included the $488m purchase of minority interests in the Ingwe coal business in Australia and South Africa and the $275m purchase of minorities in QNI, the Australian nickel mine.

Billiton also launched a 60/40 global ferroalloys partnership with Anglo American, which involved buying out of minorities held by Samancor for $78m, and bought BHP's minority interests in a manganese mining operation for $217m.

Average dollar selling prices for many commodities important to Billiton were substantially down on those for the first half of the previous year.

Aluminium fell 19 per cent, nickel 37 per cent, export steam coal 10 per cent and ferrochrome 12 per cent.

Profits before tax fell 32 per cent to $310m in the six months to 31 December, on turnover 15 per cent lower at $2.33bn.

Operating profits dropped 28 per cent to $337m.

So far in the second half commodity prices have been running below the levels of the first half.

Brian Gilbertson, chairman and chief executive warned: "Unless these prices improve sharply in the final quarter of the current financial year, operating profits for the second half will be correspondingly affected."

At the end of the half year 46.9m shares, equivalent to 2.19 per cent of the issued capital, had been bought back at a total cost of $103m.

Selling by South African investors has continued. The proportion of shares held on the London register has has reached 51 per cent. US institutions hold just over 15 per cent of the total.

EURO PRICES

EQUITIES

Europe hit by US interest rate concerns

EUROPEAN OVERVIEW

By Florian Gimbel

Fears of rising US interest rates weighed heavily on most European markets yesterday as US Treasuries yields continued to rise on the back of strong US economic figures.

Initially, markets were expecting the steep fall of US Treasuries to come to an end. But these hopes were dashed by the latest spate of strong US data.

The National Association of Purchasing Management reported yesterday that its February index of manufacturing activity had climbed to 53.4, the highest level it has reached since May 1998, from 49.5 in January.

US construction spending also rose 1.6 per cent in January, the fastest rate in seven months.

All this fanned fears of a possible interest rate increase by the Federal Reserve, causing bond yields to soar.

Financials and insurance companies, both of which are highly sensitive to changing interest rate expectations, bore the brunt of yesterday's sell-off.

"Insurance companies were affected because they hold bonds in their portfolios; and bank stocks were downbeat over the prospect of higher interest costs," said Ian Scott at Lehman Brothers.

Pharmaceuticals were also hit by rising US bond yields, but their valuations had already looked "rich", said Mr Scott.

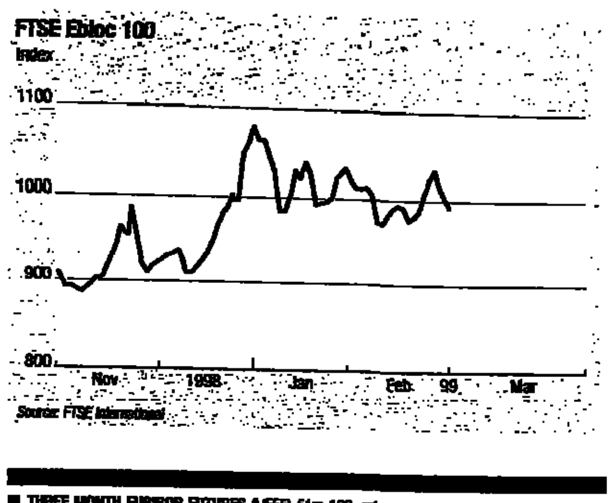
The FTSE Eurotop 300 index fell 14.75 to 1,207.88, while the FTSE Eurotop 100 declined 33.92 to 2,770.53. The FTSE Ebloc index of leading stocks in the euro-zone settled 16.35 lower at 990.42.

Société Générale was one of the few financial stocks to defy the downward trend. Analysts considered its shares undervalued, following its recent anouncement of a merger with Paribas. The bank's share price went up €1.7 to €135.4.

Industrial group Thyssen was the session's loss leader, plunging €16.70 to €166.35, after the stock went ex-dividend.

The Italian telecom sector was boosted by the ongoing takover battle between Telecom Italia and Olivetti. But the sector's outperformance could not lift up the market as a whole.

Telecom Italia gained €2 to €9.80 while Olivetti rose €1 to €2.85.



Source: FTSE International

■ THREE MONTH EURIBOR FUTURES (LIFFE) €1m 100 - rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	96.960	96.905	-0.035	96.960	96.895	34782	161334
Jun	97.020	96.955	-0.060	97.030	96.945	68959	147696
Sep	97.040	96.950	-0.075	97.040	96.945	48954	106519
Dec	96.740	96.850	-0.090	96.755	96.640	16652	91686

■ THREE MONTH EURO LIBOR FUTURES (LIFFE) €1m 100 - rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	96.935	96.905	-0.035	96.935	96.900	1102	119403
Jun	97.010	96.955	-0.060	97.010	96.950	364	107368
Sep	97.030	96.950	-0.075	97.030	96.955	81	93880
Dec	96.665	96.850	-0.090	96.665	96.850	24	86811

■ THREE MONTH EURO LIBOR OPTIONS (LIFFE) €1m 100 - rate

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	CALLS Dec	PUTS Mar	PUTS Jun	PUTS Sep	PUTS Dec
96875								
97000	0.040	0.120	0.085	0.140	0.085	0.170	0.435	0.355
97125								
97250	0.010	0.050	0.040	0.075	0.305	0.350	0.640	0.540

Est. vol. total, Calls 811 Puts 2361. Previous day's open int., Calls 281242 Puts 160294

■ FTSE EUROTOP 100 INDEX FUTURES (LIFFE) €20 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	2768.0	2760.0	-57.0	2768.0	2755.0	49	7425
Jun	2791.0	2780.0	-61.0	2791.0	2765.0	6	3

■ EURO STYLE FTSE EUROTOP 100 INDEX OPTION (AEX) €10 per index point

	2600 C	2600 P	2650 C	2650 P	2700 C	2700 P	2750 C	2750 P	2800 C	2800 P	2850 C	2850 P	2900 C	2900 P	2950 C	2950 P
Mar	291	17	245	23	208	31	163	41	127	55	87	73	65	96	47	125
Apr	322	47	285	53	247	68	207	82	173	90	146	117	118	140	315	92

Est vol total:- . Prev day's open interest total: 6,456 . Premiums shown are based on settlement prices.

OTHER INDICES

	Mar 1	Feb 26	Feb 25	1998/99 High	1998/99 Low	Since compilation High	Since compilation Low
DJ Stoxx 50	3416.80	3456.85	3475.89	3670.82	2433.07	3670.82	2433.07
DJ Euro Stx 50	3441.74	3484.24	3496.27	3685.36	2419.23	3685.36	2419.23
MSCI Europe	(u)	1207.49	1212.84	1315.55	906.59	1316.55	510.78

Source: Financial Times Information. *Subject to revision next day. (u) unavailable.

For real-time FTSE Eurotop 300 index quotes call FT Cityline on 0906 843 5920. Calls are charged at 60p per minute at all times.

FTSE Actuaries Share Indices — European series

Produced in conjunction with the Faculty and Institute of Actuaries

Mar 1 National & Regional Markets	Euro Index	Day's %	change points	Yield gross %	xd adj ytd	Total return (Euro)
FTSE Eurotop300	1207.88	-1.21	-14.75	2.22	2.39	1246.19
FTSE Eurotop100	2770.53	-1.21	-33.92	2.20	7.66	995.87
FTSE Ebloc100	990.42	-1.62	-16.35	2.03	0.74	1006.09
FTSE EuroMid	1192.17	-0.06	-0.70	2.78	1.58	1226.95
FTSE EuroMid Ebloc	1184.29	-0.58	-6.89	2.34	1.65	1211.01
FTSE EuroMid Ex UK	1226.15	-0.40	-4.86	2.18	1.14	1250.01
FTSE Eurotop 300 Regions						
Eurobloc	1237.73	-1.64	-20.62	2.00	1.15	1265.38
UK	1170.05	-0.60	-7.04	2.61	5.09	1233.89
Europe Ex-Eurobloc	1188.20	-0.76	-9.07	2.44	3.84	1234.48
Europe Ex-UK	1230.29	-1.53	-19.08	2.02	0.86	1254.20
FTSE Eurotop Industry Sectors						
RESOURCES	948.72	-0.87	-7.41	3.41	2.81	890.46
Mining	865.17	+0.30	+2.58	4.13	0.00	883.44
Oil & Gas	816.09	-0.92	-7.54	3.38	2.82	838.73
BASIC INDUSTRIES	1051.95	-1.80	-19.28	2.63	1.99	1076.33
Chemicals	798.39	-2.31	-18.86	2.62	1.83	815.38
Construction & Bld Matls	1003.58	-0.24	-2.39	2.31	1.13	1013.53
Forestry & Paper	883.53	-1.49	-13.09	4.46	0.00	903.01
GENERAL INDUSTRIALS	1095.72	-0.85	-9.37	2.30	3.12	1122.19
Aerospace & Defence	756.93	+1.45	+10.83	2.20	0.00	787.38
Diversified Industrials	956.12	-1.23	-11.92	2.13	0.00	977.89
Electronic & Elect Equip	971.43	-0.58	-5.64	1.94	5.15	981.78
Engineering & Machinery	1007.19	-0.97	-9.87	2.97	4.16	1025.35
CYCLICAL CONS GOODS	1239.07	-2.00	-25.30	2.31	0.00	1273.18
Automobiles	915.14	-2.37	-22.20	2.31	0.00	923.63
Household Goods & Texts	1245.21	-0.01	-0.08	2.28	0.00	1256.84
NON-CYC CONS GOODS	1210.03	-1.30	-15.98	1.49	2.26	1245.62
Beverages	938.48	+0.07	+0.65	2.92	0.00	959.76
Food Producers & Process	916.11	-0.59	-5.45	1.73	0.41	930.33
Health	854.81	+1.88	+15.52	1.34	0.00	877.85
Packaging	769.82	-0.94	-7.30	1.18	0.00	770.86
Personal Care & Hse Prods	1039.26	-2.77	-29.62	0.94	0.00	1048.13
Pharmaceuticals	1104.85	-1.83	-20.54	1.19	3.25	1114.08
Tobacco	1427.78	+1.62	+22.79	2.83	1.42	1458.38
CYCLICAL SERVICES	1340.15	-0.40	-5.41	2.31	1.52	1381.01
Distributors	713.06	+0.58	+4.13	4.14	0.00	721.07
General Retailers	1094.54	-0.98	-10.88	2.92	1.27	1118.47
Leisure Entertmt & Hotels	963.51	+0.59	+5.58	2.14	6.02	983.55
Media & Photography	1248.94	-0.20	-2.50	1.84	1.20	1263.51
Rests, Pubs & Breweries	863.57	+1.51	+12.85	3.29	3.71	892.78
Support Services	1122.40	-1.02	-11.53	1.33	0.00	1134.31
Transport	983.62	-0.60	-5.85	2.62	1.81	993.23
NON-CYCLICAL SERVS	1391.84	-0.49	-6.92	1.36	0.48	1433.09
Food & Drug Retailers	1026.09	-1.19	-12.40	2.04	0.51	1044.30
Telecommunications Servs	1390.84	-0.35	-4.84	1.24	0.43	1411.52
UTILITIES	1442.19	-1.08	-15.81	3.12	4.25	1533.91
Electricity	1099.20	-1.40	-15.57	3.25	3.42	1137.81
Gas Distribution	1197.10	-0.46	-5.56	1.81	1.00	1319.13
Water	819.86	-0.32	-2.13	5.45	3.94	889.25
FINANCIALS	1257.75	-1.60	-20.43	2.67	3.45	1295.59
Banks	886.80	-1.39	-12.46	3.43	4.18	903.42
Insurance	945.20	-2.29	-22.11	1.44	0.00	956.80
Life Assurance	1128.23	-1.39	-15.86	1.78	0.00	1140.86
Investment Companies	978.35	-1.12	-11.08	1.82	0.00	1001.83
Real Estate	720.94	+1.43	+10.18	3.43	1.57	741.43
Speciality & Other Fin	882.02	-0.50	-4.41	2.58	0.00	896.74
INFORMATION TECH	918.91	-1.74	-16.32	0.68	0.04	921.14
Information Tech Hardware	995.13	-2.13	-21.64	0.75	0.00	998.43
Software & Computer Serv	811.78	-0.65	-5.27	0.47	0.15	813.85

CURRENCIES & MONEY

EURO SPOT FORWARD AGAINST THE EURO

Mar 1		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA
Europe												
Czech Rep.	(Koruna)	37.4582	-0.3505	232 - 931	37.9400	37.2800	37.6249	-3.3	37.9221	-5.0	39.2666	-4.8
Denmark	(DKr)	7.4343	-0.0002	298 - 387	7.4367	7.4298	7.4360	-0.3	7.4420	-0.4	7.4643	-0.4
Greece	(Dr)	321.853	-0.0880	381 - 945	321.945	320.306	323.5419	-7.0	328.8924	-8.5	340.4636	-5.9
Hungary	(Forint)	253.855	+0.1880	889 - 223	254.860	252.400	255.7661	-12.9	260.7702	-12.2	281.6566	-11.3
Norway	(NKr)	8.6543	-0.0261	390 - 695	8.6880	8.6413	8.7005	-5.0	8.7546	-4.2	8.9171	-2.9
Poland	(Zloty)	4.2870	-0.0437	833 - 907	4.3209	4.2603	-	-	-	-	-	-
Romania	(Leu)	14033.15	+14.8700	447 - 182	-	-	-	-	-	-	-	-
Russia	(Rouble)	25.3783	-0.0863	506 - 059	25.4377	25.2506	-	-	-	-	-	-
Slovakia	(Koruna)	43.8139	-0.1106	400 - 798	44.0103	43.3345	-	-	-	-	-	-
Sweden	(SKr)	8.9866	-0.0192	867 - 014	9.0143	8.9726	8.9961	-0.1	9.0004	-0.2	9.0266	-0.3
Switzerland	(SFr)	1.5917	+0.0010	908 - 925	1.5956	1.5886	1.5889	2.1	1.5847	1.8	1.5665	1.6
UK	(£)	0.6801	-0.0062	797 - 804	0.6886	0.6795	0.6815	-2.5	0.6839	-2.2	0.6948	-2.2
Americas												
Argentina	(Peso)	1.0933	-0.0041	930 - 935	1.1020	1.0917	-	-	-	-	-	-
Brazil	(R$)	2.2414	-0.0384	299 - 528	2.2395	2.1729	-	-	-	-	-	-
Canada	(C$)	1.6620	+0.0046	611 - 629	1.6646	1.6447	1.6648	-2.0	1.6703	-2.0	1.6863	-2.2
Mexico	(New Peso)	10.8330	-0.0551	250 - 409	10.9283	10.8153	11.0057	-26.0	11.5117	-25.1	13.6232	-25.8
USA	($)	1.0934	-0.0044	931 - 936	1.1022	1.0919	1.0951	-1.9	1.0986	-1.9	1.1178	-2.2
Pacific/Middle East/Africa												
Australia	(A$)	1.7678	-0.0001	659 - 698	1.7823	1.7654	1.7703	-1.7	1.7752	-1.7	1.7999	-1.8
Hong Kong	(HK$)	8.4705	-0.0346	682 - 727	8.5568	8.4682	8.4889	-2.6	8.5298	-2.8	8.8355	-4.3
India	(Rs)	46.4630	-0.3845	240 - 999	47.0888	46.3881	46.7526	-7.5	47.3907	-7.8	50.3373	-8.6
Indonesia	(Rupiah)	9809.75	-41.6300	921 - 530	9711.80	9830.21	9927.08	-33.2	10519.81	-35.6	12949.26	-34.1
Iran	([illegible])	4.4281	-0.0134	218 - 345	4.4647	4.4135	-	-	-	-	-	-
Japan	(Y)	130.573	+0.3259	518 - 631	131.500	130.500	130.2227	3.2	129.6242	2.9	125.7696	2.9
Malaysia	(M$)	4.1547	-0.0168	355 - 382	4.1880	4.1494	-	-	-	-	-	-
New Zealand	(NZ$)	2.0838	-0.0108	813 - 862	2.1137	2.0813	2.0865	-1.6	2.0918	-1.5	2.1220	-1.8
Philippines	(Peso)	42.5861	-0.1713	123 - 598	43.0950	42.3857	42.9679	-10.8	43.6137	-9.7	46.7570	-9.8
Saudi Arabia	(SR)	4.1009	-0.0164	997 - 021	4.1346	4.0996	4.1181	-5.0	4.1471	-4.5	4.2069	-4.5
Singapore	(S$)	1.8858	-0.0045	851 - 865	1.8985	1.8851	1.8847	0.7	1.8819	0.8	1.8862	0.0
South Africa	(R)	6.7978	-0.0027	909 - 049	6.8049	6.7362	6.8767	-13.9	6.9946	-11.6	7.5197	-10.6
South Korea	(Won)	1332.78	-10.3100	140 - 419	1345.79	1331.40	-	-	-	-	-	-
Taiwan	(T$)	35.0808	-0.2330	176 - 435	35.3690	36.0176	36.3847	-10.1	36.6565	-6.4	37.8023	-4.8
Thailand	(Bt)	40.7820	-0.1661	160 - 460	41.1672	40.7180	41.2088	-12.6	41.6114	-8.1	43.4247	-6.5
UAE	(Dirham)	4.0159	-0.0162	147 - 170	4.3350	4.01470	4.0230	-2.1	4.0380	-2.2	4.1122	-2.4

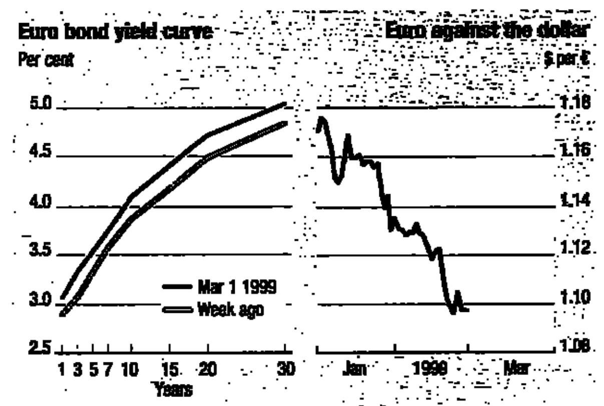
Euro Locking Rates: Austrian Schilling 13.7603, Belgium/Luxembourg Franc 40.3399, Finnish Markka 5.94573, French Franc 6.55957, German Mark 1.95583, Irish Punt 0.787564, Italian Lira 1936.27, Netherlands Guilder 2.20371, Portuguese Escudo 200.482, Spanish Peseta 166.386. Bid/offer spreads in the Euro Spot table show only the last three decimal places. Bid, offer, mid spot rates and forward rates are derived from THE WM/REUTERS CLOSING SPOT and FORWARD RATE services. Some values are rounded by the FT

BONDS

INTEREST RATE SWAPS

Mar 01	Euro-€ Bid	Euro-€ Ask	£ Stlg Bid	£ Stlg Ask	SwFr Bid	SwFr Ask	US $ Bid	US $ Ask	Yen Bid	Yen Ask
1 year	3.20	3.23	5.46	5.49	1.55	1.59	5.42	5.45	0.28	0.31
2 year	3.30	3.34	5.43	5.46	1.78	1.84	5.67	5.70	0.40	0.43
3 year	3.46	3.50	5.44	5.48	2.00	2.08	5.78	5.81	0.86	0.89
4 year	3.64	3.68	5.42	5.46	2.20	2.28	5.86	5.89	0.95	0.98
5 year	3.81	3.85	5.38	5.42	2.39	2.47	5.91	5.94	1.22	1.25
6 year	3.97	4.01	5.36	5.40	2.56	2.64	5.96	5.99	1.48	1.51
7 year	4.12	4.16	5.35	5.39	2.73	2.81	6.01	6.04	1.70	1.73
8 year	4.25	4.29	5.35	5.39	2.88	2.96	6.05	6.08	1.89	1.92
9 year	4.35	4.39	5.35	5.39	3.03	3.11	6.09	6.12	2.04	2.07
10 year	4.43	4.47	5.35	5.39	3.17	3.25	6.13	6.16	2.16	2.19
12 year	4.58	4.62	5.36	5.41	3.39	3.48	6.19	6.22	2.39	2.42
15 year	4.78	4.82	5.37	5.42	3.64	3.74	6.27	6.30	2.64	2.69
20 year	5.00	5.04	5.37	5.42	3.90	4.00	6.34	6.37	2.83	2.88
25 year	5.12	5.16	5.36	5.41	4.00	4.10	6.34	6.37	2.92	2.97
30 year	5.19	5.23	5.36	5.43	4.10	4.20	6.32	6.35	2.98	3.04

Bid and ask rates are as of close of London business. US $ is quoted annual money actual/360 basis against 3 months Libor, £ and Yen quoted on a semi-annual actual/365 basis against 6 months Libor, Euro/Swiss Franc quoted on annual bond 30/360 basis against 6 month Euribor/Libor with the exception of the 1 year rate which is quoted against 3 month Euribor/Libor. Source: Intercapital Brokers Ltd.



Source: Interactive Data/FT Information

EURO-ZONE BONDS

Mar 01	Red date	Coupn	S & P Rating	Bid price	Bid yield	Day's chge yld	Mth's chge yld	Sprd v Govts
■ **SOVEREIGNS**								
UK	01/01	4.250	AAA	101.634	3.35	+0.09	+0.37	+0.13
Denmark	01/02	4.750	AA+	103.368	3.48	+0.10	+0.41	+0.15
Sweden	02/01	5.000	AA+	102.989	3.37	+0.09	+0.37	+0.15
Greece	11/06	6.750	BBB	113.693	4.59	+0.07	+0.38	+0.82
■ **SUPRANATIONALS**								
ADB	10/07	5.500	AAA	106.877	4.52	+0.08	+0.42	+0.54
EIB	04/08	5.000	AAA	105.458	4.26	+0.08	+0.43	+0.26
Eurofima	12/09	5.625	AAA	107.857	4.68	+0.08	+0.45	+0.58
World Bank	04/05	7.125	AAA	116.827	3.97	+0.08	+0.35	+0.32
■ **UTILITIES**								
EDF	10/03	3.750	n/a	100.343	3.66	+0.07	+0.35	+0.23
TEPCO	02/03	4.750	AA	102.688	4.00	+0.08	+0.38	+0.57
Quebec Hydro	03/08	5.375	A+	104.082	4.81	+0.08	+0.44	+0.81
Norsk Hydro	10/99	7.250	A	102.032	3.60	+0.02	+0.13	+0.59
■ **FINANCIALS**								
Bad Wurtt	02/10	5.375	AAA	106.404	4.61	+0.06	+0.44	+0.45
DKB	09/07	5.750	AAA	109.687	4.36	+0.13	+0.46	+0.48
Credit Local	04/08	5.250	AA+	104.848	4.59	+0.08	+0.48	+0.59
Abbey Natl	01/09	5.000	AA-	100.566	4.91	+0.08	+0.46	+0.81
■ **INDUSTRIALS**								
Unilever	10/01	5.125	AAA	103.688	3.61	+0.09	+0.35	+0.39
McDonalds	03/08	5.125	AA	104.189	4.55	+0.08	+0.81	+0.55
Philip Morris	06/08	5.625	A	103.654	5.12	+0.08	+0.49	+1.12
BAT Int Fin	07/06	5.375	A-	102.065	5.03	+0.08	+0.25	+1.26
■ **PFANDBRIEFE**								
Rhein Hypo	12/01	5.500	n/a	105.449	3.38	+0.02	+0.23	+0.16
Eurohypo AG	01/04	5.000	n/a	105.706	3.69	+0.02	+0.30	+0.15
Bayer Vereins	01/06	6.000	n/a	111.773	4.01	+0.02	+0.39	+0.24
Depfa	07/08	4.750	n/a	103.470	4.29	+0.01	+0.38	+0.29
■ **HIGH YIELD**								
Geberit	04/07	10.125	B+	107.565	8.74	+0.11	+0.71	+4.86
Colt Telecom	11/07	8.875	n/a	105.920	7.92	+0.12	-0.50	+4.04
Impress Metal	05/07	9.875	B	100.611	9.76	+0.13	+1.99	+5.88
Remy Cointreau	07/05	10.000	B+	95.000	10.88	+0.23	-0.68	+7.23

Standard & Poor's ratings. Source: Interactive Data/FT Information.

FTSE EUROTOP 300

Name	Price (Euro)	Chge + or -	Mkt cap Euro(bn)	Vol (m)	Yld
AEROSPACE & DEFENCE					
Brit Aero	5.82	-	5.1	8.8	1.8
Smiths Ind	14.43	+.8	4.5	0.8	2.5
Thomson CSF	28.50	-.5	4.4	0.3	2.1
AUTOMOBILES	[illegible]				
BANKS	[illegible]				
BEVERAGES	[illegible]				
CHEMICALS	[illegible]				
CONSTRUCTION & BUILDING	[illegible]				
DISTRIBUTORS	[illegible]				
DIVERSIFIED INDUSTRIALS					
Investor A	35.83	-.2	2.8	-	3.4
Investor B	38.55	-.5	4.1	0.3	3.3
Mannesmann	0.87	-	4.3	20.8	2.4
[illegible]	39.70	-.3	22.8	8.1	2.2
ELECTRICITY	[illegible]				
ELECTRONIC & ELECTRICAL EQUIPT	[illegible]				
ENGINEERING & MACHINERY	[illegible]				
FOOD & DRUG RETAILERS	[illegible]				
FOOD PRODUCERS & PROCESSORS	[illegible]				
FORESTRY & PAPER	[illegible]				
GAS DISTRIBUTION	[illegible]				
GENERAL RETAILERS	[illegible]				
HEALTH	[illegible]				
HOUSEHOLD & TEXTILES	[illegible]				
I.T. HARDWARE	[illegible]				
INSURANCE	[illegible]				
INVESTMENT COMPANIES	[illegible]				
LEISURE ENTERTAINMENT & HOTELS	[illegible]				
LIFE ASSURANCE	[illegible]				
MEDIA & PHOTOGRAPHY	[illegible]				
MINING	[illegible]				
OIL & GAS	[illegible]				
PACKAGING	[illegible]				
PERSONAL & HOUSEHOLD PRODUCTS	[illegible]				
PHARMACEUTICALS	[illegible]				
REAL ESTATE	[illegible]				
RESTAURANTS PUBS & BREWERIES	[illegible]				
SOFTWARE & COMPUTER SERVICES	[illegible]				
SPECIALITY & OTHER FINANCE	[illegible]				
SUPPORT SERVICES	[illegible]				
TELECOMMUNICATION SERVICES	[illegible]				
TOBACCO	[illegible]				
TRANSPORT	[illegible]				
WATER	[illegible]				

Notes

[illegible]

[illegible]

Prices retreat on rate-cut gloom

BENCHMARK BONDS

By Vincent Boland in London and Richard Waters in New York

Prices retreated yesterday as investors sold stock on the view that the short-term scope for further cuts in interest rates in all the main bond markets was limited.

More data from the US confirming the relentless pace of economic growth sent the Treasury bond market sharply lower at the start of New York trading.

That put the brakes on European markets, which had in any case been showing signs of imminent fatigue as the euro continued to slump.

The latest straws in the wind from the US came in the monthly report of the National Association of Purchasing Managers. Wall Street had expected an NAPM index for February of around 50, a level to suggest manufacturing industry remained poised between expansion and contraction.

Instead, the reading was 52.4. That was the highest level seen since last May, and an indication that US manufacturers are bouncing back from the slump induced by the Asian currency crisis.

By early afternoon, the yield on the long-dated US Treasury had risen to its highest since before Russia's devaluation last August. The flight to bond markets prompted by that crisis, and a series of three interest rate cuts, contributed to a rally that briefly took the yield on the 30-year bond below 5 per cent last autumn.

Yesterday's 1⅞ fall, which left the long bond trading at 93½, pushed the yield up to 5.673 per cent. Shorter-dated securities also fell, with two-year notes falling ⅛ to 99⅞, lifting the yield to 5.217 per cent, and 10-year securities down ⅔ to 95¼, for a yield of 5.401 per cent.

It was a similar picture in continental Europe but for different reasons. The continued weakness of the euro substantially reduced the already slim possibility that the European Central Bank will cut euro-zone interest rates at its policy meeting this week, analysts said.

The euro's slide against the dollar, which touched a fresh high against it yesterday, had already represented a substantial degree of monetary easing, but that had not diminished calls from Oskar Lafontaine, the German finance minister, for the ECB to cut its base rate from the current 3 per cent.

Euro-denominated government debt ended substantially lower. Analysts said futures markets had fallen through important support levels, an indication that the markets are not in great technical shape.

The 10-year German bund future fell 0.69 to close at 113.79, although that was above the day's lowest. In the cash market the yield on 10-year bunds rose a fraction to end the day at just above 4.08 per cent.

Even in the UK, the most likely source of a quick interest rate cut, consumer credit was shown to have grown in January by more than the market liked.

There was better news on the manufacturing front, with indications that the downturn was showing signs of levelling, but again this was interpreted as negative news for those looking for the Bank of England to cut base rates this week.

There is no consensus on whether the Bank will agree to ease rates further. The June UK gilt future settled 0.81 lower at 116.14, while in the cash market traders reported weakness along the length of the yield curve.

EIB bonds to boost Czech market

By Robert Anderson in Prague

The European Investment Bank, the financing arm of the European Union, has launched a Kc30bn ($871m) bond programme in the Czech Republic. The koruna programme is the EIB's first in the Czech capital market and is likely to create benchmarks for long-term paper.

Under the programme, issues with the same AAA rating as Czech government bonds and with maturities of up to 30 years can be made over the next few years. Commerzbank lead-managed a Kc3bn inaugural issue of 10-year bonds with a coupon of 8.2 per cent under the programme last week.

Wolfgang Roth, an EIB vice-president, said the programme was designed to meet increasing demand from Czech borrowers for koruna-denominated loans. He said it would help develop the Czech capital market by providing paper with longer maturities and by expanding the range of available instruments.

The EIB began a similar Ft20bn programme in Hungary in 1997 and Mr Roth said a Polish programme, which has been delayed, would come next.

It said the moves will support the integration of these countries into the international capital markets, in preparation for their eventual entry into the European Union.

The EIB, the largest non-sovereign borrower in the international capital markets, is the biggest lender to central Europe. Its lending to the EU applicant countries increased by 60 per cent to €2.4bn last year, representing almost half its total lending outside the EU.

Sharp fall in international Russian debt

By Arkady Ostrovsky in London and John Thornhill in Moscow

Fears that Russia might be forced to restructure the terms of its international bonds, coupled with the latest crisis in talks with western banks on its defaulted domestic bonds (GKOs), have sparked a dramatic drop in its international bond prices.

The price of the most liquid Russian bond, maturing in 2007, has fallen by 19 per cent in the past two weeks. It is now worth 25 per cent of its face value, following speculation that Russia's post-1992 debt might be included in a comprehensive restructuring package.

The Russian government is fiercely opposed to including international bonds in any such scheme, arguing it would open a Pandora's Box of legal complications.

The sell-off in Russian bonds was sparked by demands by the Paris Club of government creditors that Pakistan restructure the terms of its international bonds as part of an overall foreign debt reorganisation.

That move was seen as presaging a similar demand on Russia, which has $16bn of outstanding bonds.

"The example of Pakistan shows that the Paris Club could be pushing for Russia to restructure its eurobonds," said Kasper Bartholdy at CSFB.

A Russian finance ministry official said Russia stood by its commitment to service all its international bonds while seeking restructuring of Soviet-era debt. The cost of restructuring its bonds would outweigh the benefits, he said, and speculation of Paris Club demands to do so "had no foundation".

Economists have argued that private bond holders, including US banks, would have to share the costs of a comprehensive debt restructuring plan. In particular, the German government, the biggest holder of Soviet-era Paris Club debt, seems likely to insist other commercial banks share the pain.

"Eurobond holders have not so far been affected by the principle of comparability of treatment" under which commercial creditors share the burden of debt relief given by the Paris Club, said Andrew Kenningham at Merrill Lynch. "But there is a growing view in G7 countries that eurobond holders might have to take a hit some time."

"Everything depends on whether the Paris Club of creditors is prepared to recognise the distinction made by the Russian government between Soviet-era and Russian-era debt," said Eric Fine, bond strategist at Morgan Stanley Dean Witter.

The Paris Club was unlikely to restructure Russian debt for more than one year, Mr Fine said, given the lack of long-term funding from the IMF. This would mean bonds would be exempt from a deal because Russia does not have any bonds maturing until 2001.

Richard Gray, at Bank of America, said the fact that some banks were prepared to take a "haircut" on their GKO investments reduced the chance of Russia's bonds being repaid at par value or of London Club bank debt being serviced on time.

KfW targets institutions

NEW ISSUES

By Khozem Merchant

Kreditanstalt für Wiederaufbau, the German development agency which enjoys a loyal following from retail investors, launched a $1.5bn bond issue designed to emphasis its appeal to institutional investors.

The issue marks a reopening of the high-volume international bond market since comments on interest rates by Alan Greenspan, US Federal Reserve chairman, provoked a large sell-off in US Treasuries last week.

"After the Greenspan testimony and yesterday's stronger than expected US purchasing managers' report, we expect a lot of cash that has stayed on the sidelines to re-enter the market," said Andy Lothian at Dresdner Kleinwort Benson.

This flow will be aided by a heavy programme of redemptions over the next month, estimated at $3.5bn and including high credit names such as Sweden. A large proportion of this will be re-invested in the market, say bankers.

KfW's strategy was designed "to emphasis its status as a major agency issuer rather than purely arbitrage-driven," said Eden Riche at Morgan Stanley Dean Witter, which along with Dresdner Kleinwort Benson and Warburg Dillon Read, lead managed the issue. "KfW is now crossing the threshold from been an arbitrage issuer to being a benchmark issuer," he said.

European institutional investors are expected to lead the way when the KfW issue is priced today at a yield spread of about 44 basis points over the relevant US Treasury. Existing KfW bonds are trading at 42 basis points over Treasuries.

"This bond is priced to clear," said one banker, suggesting KfW was prepared to give ground on pricing to meet its broader strategy.

Strong interest is also expected from Asia and the US, notably off-shore accounts, as most US investors are precluded due to the international, as opposed to global, format of the issue.

Eve NV became the first Belgian issuer of euro-denominated asset-backed bonds. The long-dated €324m issue was secured on a portfolio of mortgages originated by a network of social credit institutions in the Flemish region of Belgium, a conservative market with a low default rate.

The bond will be priced this week at a spread of about 22 basis points over three-month euribor.

CIBC Wood Gundy, lead manager with Bacob Bank/Artesia Bank, said the issue was structured as a single class of triple A rated notes, in contrast to the multi-tranche structures that have been typical of Belgian mortgage-backed securities.

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
■ US DOLLARS							
KfW International Finance	1.5bn	(a)	(a)R	Mar 2004	0.15R	(a)(4¾%Feb04)	Dresdner/MSDW/Warburg
■ EUROS(e)							
Suez Lyonnais des Eaux(b)§	786.7	zero	100.00	Jan 2004	2.00	-	Morgan Stanley DW
MPS, London Branch(c)	375	5.00	98.45R	Mar 2009	0.40R	+115(Jan09)	Bear Stearns/Warburg
Eve NV(d)‡	324	(d1)	(d2)	Mar 2026	0.10	-	CIBC
Akademiska Hus	250	4.50	99.945R	Mar 2009	0.375R	+45(3¾%Jan09)	JP Morgan Securities
Deutsche Finance Neths(g)‡	250	(g1)	99.79R	Feb 2004	0.15R	-	Deutsche Bank
GECC(h,f)	175	3.00	99.577R	Feb 2001	0.15R	+10(7%Oct00)	Paribas
Anglo-Irish Capital Fndg(j)	75	7.75(q)	100.00	Undated	3.15	-	Merrill Lynch International
■ STERLING							
South Somerset Homes	67	5.955#	100.00R	Mar 2034	0.825R	+130(8%-21)	Paribas
■ NORWEGIAN KRONER							
Swedish Export Credit	550	5.25	100.875	Mar 2004	1.625	-	Unibank

Final terms, non-callable unless stated. Yield spread (over govt bond) at launch supplied by lead manager. §Convertible. ‡ Floating-rate note. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) Priced today around 44bp over Treasuries. b) Each €144 bond exchangeable into 1 Axa share. Redemption price: 108.63%. 50% callable from 31/12/01 and balance from 02 at accreted value. c) Denom: €1,000 + a 6-mth warrant; 3 wrts entitle holder to €1,000 bond with identical terms. c) Secured on Belgian residential mortgages. 10% cleanup call. Av life: 4.6 yrs. d1) 3-mth Libor +22bp. d2) Priced Thursday. e) Spread relates to German govt bonds unless stated. f) Spread re French govt bonds. g) Fungible with €750m. Plus 7 days accrued. g1) 3-mth Euribor +6¼bp. h) Fungible with €350m. Plus 35 days accrued. j) €85m preference share issue launched on 24/2/99 was increased to €160m. Callable on coupon dates from 24/3/04 at par. q) Quarterly.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

Mar 1	Red Date	Coupon	Bid Price	Bid Yield	Day chg yield	Wk chg yield	Month chg yld	Year chg yld
Australia	01/01	8.750	108.5800	5.00	-0.05	+0.08	+0.34	-0.20
	08/08	8.750	123.7047	5.50	-0.06	+0.14	+0.49	-0.45
Austria	03/01	5.250	103.6500	3.35	+0.10	+0.27	+0.40	-0.71
	01/08	5.000	105.2800	4.27	+0.12	+0.29	+0.46	-0.78
Belgium	03/01	5.000	103.3900	3.27	+0.08	+0.22	+0.35	-0.78
	03/09	3.750	95.6500	4.29	+0.07	+0.21	+0.44	-0.74
Canada	12/00	5.000	99.4200	5.35	+0.07	+0.23	+0.62	+0.29
	06/08	6.000	104.1000	5.43	+0.06	+0.25	+0.54	-0.04
Denmark	11/00	8.000	108.5700	3.65	+0.03	+0.25	+0.34	-0.52
	11/08	6.000	112.1200	4.54	+0.10	+0.30	+0.55	-0.72
Finland	06/00	4.000	101.0500	3.14	+0.09	+0.18	+0.21	-0.54
	04/09	5.000	105.4770	4.32	+0.09	+0.28	+0.47	-0.61
France	07/00	4.000	101.0500	3.18	+0.09	+0.22	+0.27	-0.77
	04/06	7.250	120.8300	3.85	+0.10	+0.26	+0.47	-0.83
	04/09	4.000	98.4800	4.19	+0.10	+0.24	+0.50	-0.77
	04/29	5.500	106.6200	5.07	+0.11	+0.25	+0.48	-0.44
Germany	05/01	5.000	103.7200	3.22	-0.05	+0.26	+0.32	-0.62
	07/06	6.000	111.9300	3.97	+0.09	+0.23	+0.50	-0.75
	01/09	3.750	97.2200	4.10	+0.07	+0.24	+0.44	-0.94
	07/28	4.750	95.3700	5.05	+0.08	+0.26	+0.45	-0.47
Greece	03/00	9.800	100.1624	8.59	+0.08	-0.05	-0.36	-6.23
	01/09	6.300	101.0000	6.16	+0.11	+0.06	+0.04	-4.81
Ireland	10/01	6.500	107.7500	3.36	+0.07	+0.24	+0.33	-1.41
	08/06	6.000	113.2000	4.27	+0.08	+0.23	+0.42	-0.94
Italy	07/01	4.500	102.6000	3.32	+0.07	+0.21	+0.35	-1.37
	07/03	4.500	103.3700	3.66	+0.09	+0.25	+0.40	-1.22
	05/09	4.500	101.7000	4.29	+0.10	+0.25	+0.44	-0.98
	11/27	6.500	118.9900	5.22	+0.10	+0.24	+0.44	-0.57
Japan	12/00	6.900	111.7380	0.30	-0.03	-0.02	-0.35	-0.32
	12/03	4.100	114.0150	1.09	-0.02	+0.01	-0.32	-0.17
	06/08	1.800	99.6500	1.84	-0.04	-0.02	-0.13	+0.12
	09/18	2.300	93.4360	2.74	-0.04	-0.03	-0.03	+0.20
Netherlands	01/01	9.000	110.2300	3.23	+0.09	+0.22	+0.32	-0.72
	07/09	3.750	96.1400	4.22	+0.10	+0.28	+0.47	-0.68
New Zealand	02/01	8.000	105.2228	5.10	-0.03	+0.11	+0.14	-2.52
	07/09	7.000	109.2465	5.80	-0.06	+0.16	+0.33	-1.11
Norway	05/01	7.000	104.0000	5.04	-0.01	+0.10	+0.28	-0.73
	05/09	5.500	103.6500	5.03	+0.08	+0.29	+0.39	-0.27
Portugal	03/00	5.375	102.1300	3.26	+0.26	-0.33	+0.31	-0.74
	06/08	5.375	107.9800	4.32	+0.11	-0.29	+0.45	-0.83
Spain	01/01	5.000	103.2900	3.19	+0.10	+0.22	+0.27	-1.01
	07/08	5.150	104.4800	4.59	+0.11	+0.26	-0.76	-0.54
Sweden	05/00	10.250	107.6065	3.42	+0.08	+0.17	+0.16	-1.27
	05/08	6.500	114.4980	4.53	+0.15	+0.36	+0.57	-0.91
Switzerland	06/00	4.500	103.8500	1.32	-0.05	+0.02	-0.06	+0.02
	01/08	4.250	115.5000	2.29	+0.06	+0.08	-0.04	-0.50
UK	11/01	7.000	105.0400	4.96	+0.09	+0.23	+0.40	-1.82
	12/03	6.500	107.4000	4.74	+0.10	-0.30	+0.56	-1.49
	12/09	5.750	109.5500	4.61	+0.07	+0.29	+0.45	-1.39
	12/28	6.000	123.7000	4.54	+0.04	+0.21	+0.33	-1.48
US	01/01	4.500	98.6793	5.24	+0.10	+0.26	+0.56	-0.54
	02/04	4.750	97.5336	5.32	+0.11	+0.30	+0.71	-0.36
	11/08	4.750	95.7607	5.40	+0.12	+0.31	+0.65	-0.20
	02/29	5.250	93.9366	5.67	+0.11	+0.19	+0.49	-0.27

London mid-day * New York mid day. Source: Interactive Data/FT Information. Yields: Local market standard/Annualised yield basis. Yields shown for Italy exclude withholding tax at 12.5 per cent payable by nonresidents.

10 YEAR BENCHMARK SPREADS

Mar 1	Bid Yield	Spread vs Euros	Spread vs T-Bonds
Australia	5.51	+1.41	+0.11
Austria	4.39	+0.29	-1.01
Belgium	4.31	+0.21	-1.09
Canada	5.44	+1.34	+0.04
Denmark	4.49	+0.39	-0.91
Finland	4.32	+0.22	-1.08
France	4.19	+0.09	-1.21
Germany	4.10	-	-1.30
Greece	6.32	+2.22	+0.92
Ireland	4.32	+0.22	-1.08
Italy	4.32	+0.22	-1.08
Japan	1.89	-2.21	-3.51
Netherlands	4.25	+0.15	-1.15
New Zealand	5.80	+1.70	+0.40
Norway	5.03	+0.93	-0.37
Portugal	4.39	+0.29	-1.01
Spain	4.42	+0.32	-0.98
Sweden	4.56	+0.46	-0.84
Switzerland	2.45	-1.65	-2.95
UK	4.61	+0.51	-0.79
US	5.40	+1.30	-

Source: Interactive Data/FT Information.

EMERGING MARKET BONDS

Mar 1	Red date	Coupon	S & P Rating	Bid price	Bid yield	Day's chge yield	Mth's chge yield	Spread vs US
■ EUROPE								
Croatia	02/02	7.000	BBB-	93.9555	9.37	-0.10	+0.05	+4.11
Poland	07/04	7.125	BBB-	104.9560	6.00	-0.03	+0.06	+1.07
Russia	06/07	10.000	n/a	25.0000	44.57	-0.79	+7.24	+39.20
■ LATIN AMERICA								
Argentina	09/27	9.750	BB	79.7500	12.32	-0.07	-0.42	+6.68
Brazil	05/27	10.125	B+	64.3005	15.48	-0.15	-1.20	+10.24
Mexico	05/26	11.500	BB	104.7500	10.95	-0.05	-1.00	+5.22
■ ASIA								
China	07/06	7.750	BBB+	100.3176	7.68	-0.05	-0.48	+2.32
Philippines	10/16	8.750	BB+	90.4900	9.90	-0.05	-0.21	+4.03
Thailand	04/07	7.750	BBB-	98.7488	7.96	-0.03	+0.12	+2.59
■ AFRICA/MIDDLE EAST								
Lebanon	07/00	9.125	BB-	101.7500	7.70	-0.33	-1.52	+2.51
South Africa	10/06	8.375	BB+	95.0121	9.30	-0.06	-0.96	+3.94
Turkey	09/07	10.000	B	93.5396	11.79	-0.18	+0.11	+6.42
■ BRADY BONDS								
Argentina	03/23	5.750	BB	87.2500	9.47	-0.04	+0.15	+3.82
Brazil	04/14	5.000	B+	57.3750	14.55	-0.24	-1.21	+9.03
Mexico	12/19	6.250	BB	75.0000	8.91	-0.05	+0.05	+3.37
Venezuela	03/20	6.750	B+	63.3750	11.36	-0.04	+0.25	+5.61

London closing. Prices in US$. Standard & Poor's ratings. Source: Interactive Data/FT Information

BOND FUTURES AND OPTIONS

France

■ NOTIONAL EURO BOND FUTURES (MATIF) €100,000

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	110.52	109.63	-0.90	110.60	109.45	24,763	88,853

■ LONG TERM EURO BOND OPTIONS (MATIF)

Strike Price	CALLS Mar	CALLS Jun	CALLS -	PUTS Mar	PUTS Jun	PUTS -
109	2.73	-	-	-	-	-
110	1.73	-	-	-	-	-
111	0.74	-	-	0.01	-	-
112	0.05	-	-	0.35	-	-

Est. vol. total, Calls n/a Puts n/a. Previous day's open int., Calls n/a Puts n/a

Germany

■ NOTIONAL GERMAN BUND FUTURES (DTB) DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	114.59	113.71	-0.77	114.76	113.55	681,211	449,670

■ NOTIONAL GERMAN BUND (BOBL) FUTURES (DTB) DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	108.46	108.17	-0.26	108.59	108.05	174,495	203,219

■ NOTIONAL LFB SWAP FUTURES (LIFFE)* 5yr 4.0% DM250,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar		100.80	-0.36			0	1015

■ NOTIONAL LFB SWAP FUTURES (LIFFE)* 10yr 4.5% DM250,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar		100.49	-0.81			0	940

Also traded on APT. All Open interest figs. are for previous day

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	112.60	112.03	-0.68	112.85	111.81	22950	43736

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF) €100,000

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	115.70	114.75	-0.96	115.81	114.72	21,635	23,258
Jun	-	96.80	-1.00	-	-	8	-

UK

■ NOTIONAL 5 YEAR GILT FUTURES (LIFFE) £100,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar		108.07	-0.34			0	63
Jun		107.77	-0.35			0	0

■ NOTIONAL UK GILT FUTURES (LIFFE)* £100,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	116.35	115.71	-0.54	116.35	115.60	7514	19574
Jun	117.15	116.14	-0.81	117.15	116.10	46452	70399

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

■ LONG GILT FUTURES OPTIONS (LIFFE) £100,000 100ths of 100%

Strike Price	CALLS Jun	CALLS Sep	PUTS Jun	PUTS Sep
11550	1.96	2.50	1.32	1.86
11600	1.72	2.24	1.56	2.10
11650	1.48	2.00	1.84	2.36
11700	1.27	1.78	2.13	2.64
11750	1.10	1.57	2.46	2.93
11800	0.91	1.39	2.79	3.25

Est. vol total, Calls [illegible] Puts [illegible]. Previous day's open int., Calls [illegible] Puts [illegible]

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	121-15	120-16	-0-31	121-27	120-09	585,695	322,790
Jun	120-31	119-31	-1-00	121-11	119-24	181,887	390,507
Sep	-	120-18	-	-	-	1,274	8,829

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) ¥100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Mar	131.45	131.33		131.48	131.32	2431	na
Jun	130.31	130.15		130.31	130.15	1865	0

Euro

■ € BUND FUTURES (MATIF) €100,000

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	109.19	108.34	-1.90	109.19	108.10	1	161

US CORPORATE BONDS

Feb 28	Red date	Coupn	S & P Rating	Bid price	Bid yield	Day's chge yld	Mth's chge yld	Sprd v Govts
■ UTILITIES								
Pac Bell	07/02	7.25	AA-	104.5275	5.73	-0.02	+0.48	+5.73
NY Tel	08/25	7.00	A+	98.6637	7.11	-0.04	+0.39	+1.55
CWE	05/08	8.00	BBB	111.9166	6.27	-0.02	+0.45	+0.99
■ FINANCIALS								
GECC	05/07	8.75	AAA	117.0588	6.07	-0.03	+0.53	+0.79
Banc One	08/02	7.25	A	103.9793	5.94	-0.02	+0.29	+5.94
CNA Fin	01/18	6.95	A-	92.7793	7.67	-0.06	+0.63	+2.11
■ INDUSTRIALS								
WMX Tech	04/99	6.25	BBB+	100.0316	5.69	-0.21	-0.16	+1.08
Wal Mart	05/02	6.75	AA	103.9155	5.39	-0.02	+0.44	+5.39
Dayton Hud	06/21	9.70	A-	132.2398	6.85	-0.05	+0.33	+1.29
■ AGENCIES								
FHLMC	04/07	7.14	N/A	108.3881	5.82	-0.03	+0.59	+0.54
SLMA	03/00	7.50	N/A	102.2301	5.22	-0.02	+0.12	+0.59
FNMA	02/18	8.95	N/A	131.6092	6.11	-0.05	+0.44	+0.55
FFCB	06/06	8.95	N/A	118.6266	5.76	-0.03	+0.55	+0.48
■ HIGH YIELD								
Stone Cont	02/01	9.88	B	101.8750	0.00	-	-	-
AK Stl	12/01	9.13	BB-	105.7500	0.00	-	-	-
Pacalta	06/04	10.75	B-	85.0000	0.00	-	-	-

NY latest. Standard & Poor's ratings. Yields: semi-annual basis. Source: Interactive Data/FT Information.

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
Prime rate	7¾	One month	-	Two year	5.30
Broker loan rate	6½	Two month	-	Three year	5.24
Fed.funds	5	Three month	4.71	Five year	5.33
Fed.funds at intervention		Six month	4.74	10-year	5.38
		One year	4.90	30-year	5.68

INTERNATIONAL BONDS

Mar 1	Red date	Coupon	S & P Rating	Bid price	Bid yld	Day's chge yld	Mth's chge yld	Spread v Govts
■ $								
EIB	04/07	7.250	AAA	107.2475	6.09	+0.06	+0.71	+0.72
ABN Amro	06/07	7.125	AA-	103.6075	6.54	+0.06	+0.03	+1.17
Quebec	01/07	7.000	A+	104.8687	6.21	+0.08	+0.16	+0.84
Citicorp FRN	02/04	5.086	AA-	98.7852	5.35	+0.09	-1.34	+0.02
■ C$								
Bayer L-Bk	08/04	9.500	AAA	116.0761	5.94	+0.13	+0.60	+0.21
Toronto (M of)	05/04	8.500	AA+	111.5098	5.87	+0.13	+0.60	+0.14
Bell Canada	07/99	10.625	A+	101.5991	5.75	+0.14	+0.53	+1.25
Deutsche B FRN	09/02	5.875	AA+	99.7022	5.97	+0.13	+0.53	+0.33
■ £								
EIB	12/07	7.625	AAA	116.7608	5.19	+0.12	+0.31	+0.39
Dresdner Bk	12/07	7.750	AA-	110.9035	6.10	+0.12	+0.31	+1.30
British Gas	03/00	7.625	A+	102.0070	5.63	+0.01	-0.14	+0.57
Abbey Nat FRN	02/02	5.587	AA	100.0201	4.58	+0.14	+0.30	-0.34
■ SFR								
EIB	01/08	3.750	AAA	103.6559	3.27	+0.06	+0.03	+0.96
Brit Columbia	02/02	3.250	AA	103.7598	1.93	+0.05	+0.01	+0.30
Hydro-Quebec	05/01	6.750	n/a	108.8939	2.58	+0.05	-	+1.05
Gen Elect	09/01	1.711	n/a	99.8105	1.52	+0.05	+0.01	+0.01
■ YEN								
IBRD (World Bk)	03/02	5.250	AAA	114.2997	0.51	-0.01	-0.28	-0.10
Spain (Kingdom)	03/02	5.750	AA	115.5983	0.58	-0.01	-0.29	-0.03
Cred Foncier	08/02	4.750	A	112.3972	1.05	-0.01	-0.36	+0.44
Italy (Rep of)	07/99	0.516	AA	100.0621	0.20	-	-0.14	+0.02
■ A$								
IBRD (World Bk)	02/08	6.000	AAA	101.6182	5.76	-0.20	+0.35	+0.27
Nw Sth Wales Tr	05/06	6.500	n/a	104.1061	5.79	-0.18	+0.35	+0.40
S. Aus Gov Fin	06/03	7.750	AA	107.3814	5.76	-0.18	+0.26	+0.60
GMAC Aust	05/01	9.000	n/a	106.7611	5.65	-0.10	+0.20	+0.65

London closing. Standard & Poor's ratings. Yields: Local market standard/Annualised basis. Source: Interactive Data/FT Information

UK BONDS

FTSE Actuaries Government Securities

Price Indices UK Gilts	Mon Mar 1	Day's chge %	Accrued interest	xd adj ytd	Total Return	Duration Years	Duration Yield	% Weight
1 Up to 5 years (16)	120.69	-0.23	1.76	1.79	1199.59	2.33	4.92	34.27
2 5-10 years (11)	169.25	-0.50	2.65	1.06	1319.50	5.90	4.78	29.35
3 10-15 years (7)	182.94	-0.73	2.30	1.34	1432.27	8.88	4.74	13.47
4 5-15 years (18)	173.19	-0.57	2.54	1.14	1351.75	6.77	4.76	42.82
5 Over 15 years (8)	227.27	-0.75	2.40	1.23	1553.31	11.86	4.68	22.16
6 Irredeemables (4)	313.63	-0.96	3.56	1.87	1827.24	21.05	4.81	0.76
7 All stocks (42)	184.24	-0.50	2.25	1.50	1340.16	6.47	4.75	100.00

UK Indices

Index-linked	Mon Mar 1	Day's chge %	Accrued interest	xd adj ytd	Total Return	% Weight
1 Up to 5 years (2)	224.77	-0.08	2.00	0.00	1167.21	15.04
2 Over 5 years (9)	257.84	-0.21	0.96	2.15	1395.26	84.96
3 5-15 years (5)	240.64	-0.16	0.75	2.03	1298.48	42.72
4 Over 15 years (4)	272.22	-0.27	1.19	2.29	1485.55	42.24
5 All stocks (11)	251.05	-0.19	1.13	1.79	1363.95	100.00

Yield indices	Mar 1	Feb 26	Yr ago	Yield indices	Mar 1	Feb 26	Yr ago	Real yield	Inflation 5% Mar 1	Dur yrs	Feb 26	Yr ago	Inflation 10% Mar 1	Dur yrs	Feb 26	Yr ago
5 yrs	4.83	4.66	6.36	Irred†	4.81	4.76	6.17	Up to 5 yrs	3.15	3.31	3.12	3.53	2.33	3.32	2.30	2.72
10 yrs	4.73	4.65	6.14	Med. 15 yrs	4.73	4.67	6.08	Over 5 yrs	2.10	[illegible]	2.08	[illegible]	1.90	[illegible]	1.88	[illegible]
15 yrs	4.71	4.65	6.06	High 15 yrs	4.81	4.76	6.17	5-15 yrs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
20 yrs	4.71	4.65	6.06					Over 15 yrs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
								All stocks	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT Fixed Interest Indices

	Mar 1	Feb 26	Feb 25	Feb 24	Feb 23	Yr ago	High*	Low*
Govt. Secs. (UK)	112.90	113.84	113.90	114.97	115.32	N/A	117.17	93.31
Fixed Interest	154.45	154.53	155.55	156.47	156.65	N/A	158.45	118.32

[illegible]

UK GILTS PRICES

Notes	Yield Int	Yield Red	Price £	+ or -	52 week High	52 week Low
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Other Fixed Interest

Notes	Price £	+ or -	52 week High	52 week Low
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Sterling climbs on business optimism

MARKETS REPORT

By Melanie Carroll and Alan Beattie

The pound spent most of yesterday's trading session above the key US$1.60 level, after the release of surprisingly strong UK manufacturing business data.

The rise came the day before the start of the Bank of England monetary policy committee's meeting, at which some expect the sixth interest rate cut in a row.

Sterling opened in London below $1.60 and climbed to around $1.603 when the purchasing managers' index was released, to close at $1.608.

But Jesper Dannesboe, currency strategist at ABN-AMRO, said the pound was reacting more to profit-taking and corporate buying of dollars than to the data released yesterday.

Sterling-dollar has started to become attractive for companies to buy up in the last few sessions, he said. "If you need to buy cable as a hedge it's at particularly good levels," Mr Dannesboe added.

He said the interest rate spread between the US and the UK has evened out in recent months, lowering the spot rates for sterling.

Mr Dannesboe thought sterling was overvalued against the euro, but at a realistic level against the dollar.

Philip Shaw, chief economist at Investec, said the mood in the short sterling market is changing in favour of a rise in interest rates over the next two years.

"The catalyst was Alan Greenspan's Humphrey-Hawkins testimony last Monday, and the curve steepened after the CBI survey," Mr Shaw said.

"A week ago, the futures market was pricing in rates between 5-5¼ per cent for the duration of the strip. Now the market is pricing in rates rising over 1-2 years," he added.

■ The dollar struggled a little against the yen yesterday, failing to regain the Y120 level it slipped below at the end of last week.

Despite a strong NAPM index pushing the dollar up, at the end of London trading it was at Y119.4, below last week's highs.

Some in the market repeated the familiar story that end-of-fiscal year capital repatriation by Japanese banks could be pushing the yen back up.

But ABN-Amro, in a research note published yesterday, pointed out that the dollar had appreciated against the yen during March in each of the three years before 1999.

And Steve Hannah, chief economist at IBJ International in London, said that equally important were fears of asset market turbulence in the US if the Federal Reserve raises interest rates. "This has reduced Japanese demand for overseas assets during year-end book-squaring," he said.

Mr Hannah added that few in Japan itself believe that there has been a large official policy U-turn with respect to yen weakness. "It is not in Japan's interest for monetary loosening to be accompanied by a weaker yen if all it does it to contribute to the yen-carry trade and fuel asset price booms in the US and Europe," he said.

■ The Indian rupee strengthened yesterday in the aftermath of the budget despite a cut in interest rates.

The Reserve Bank of India yesterday cut two percentage points off the repo rate and one off the bank rate, citing recent lower inflation and the lower planned government borrowing programme next year as the reason. But the rupee strengthened nonetheless.

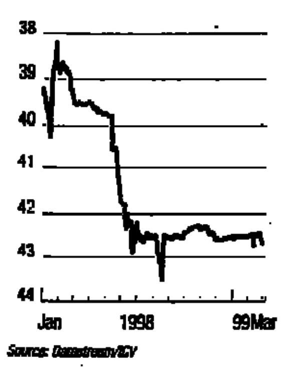
Analysts said that the currency's strength could reflect a disbelief in the market that the fiscal position was as healthy as the government said, and that the public borrowing targets would be met. "The government seems to have resorted to fiscal acrobatics to make it seem that the public deficit is declining when in fact it is not," said Ann Wyman, sovereign risk analyst at Salomon Smith Barney-Citibank in London.

If the government is forced to issue more debt than forecast, this could push up interest rates, strengthening the currency, she said.

"But the rupee's strength could just be short-covering among local players who wrongly assumed that corporates were also shorting the currency," she added.

Rupee

Against the dollar (Rs per $)



Source: Datastream/ICV

■ POUND IN NEW YORK

Mar 1	—Latest—	— Prev. close —
£ spot	1.6115	1.6020
1 mth	1.6108	1.6011
3 mth	1.6100	1.6005
1 yr	1.6121	1.6035

■ OTHER CURRENCIES

Mar 1	£	$
Czech Rp	55.0454 - 55.1211	34.2450 - 34.2750
Hungary	371.872 - 372.379	231.350 - 231.550
Iran	4824.60 - 4822.20	3000.00 - 3000.00
Kuwait	0.4895 - 0.4902	0.3045 - 0.3048
Peru	5.4330 - 5.4438	3.3800 - 3.3850
Poland	6.2986 - 6.3098	3.9185 - 3.9235
Russia	37.1309 - 37.2137	23.1000 - 23.1400
U.A.E.	5.9037 - 5.9072	3.6728 - 3.6732

POUND SPOT FORWARD AGAINST THE POUND

Mar 1		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria*	(Sch)	20.2349	+0.1538	252 - 445	20.2464	19.9705	20.1917	2.6	20.1188	2.3	19.8055	2.1	102.6
Belgium*	(BFr)	59.3209	+0.4509	926 - 492	59.3540	58.5460	59.1944	2.6	58.9806	2.3	58.062	2.1	102.3
Denmark	(DKr)	10.9323	+0.0827	255 - 390	10.9390	10.7551	10.9116	2.3	10.8809	1.9	10.7436	1.7	105.8
Finland*	(FM)	8.7434	+0.0865	392 - 475	8.7480	8.6290	8.7248	2.6	8.6933	2.3	8.5579	2.1	81.3
France*	(FFr)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	105.6
Germany*	(DM)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	103.4
Greece	(Dr)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	62.7
Ireland*	(I£)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	93.3
Italy*	(L)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	75.3
Luxembourg*	(LFr)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	102.3
Netherlands*	(Fl)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	101.7
Norway	(NKr)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	91.7
Portugal*	(Es)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	91.9
Spain*	(Pta)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	76.6
Sweden	(SKr)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	81.6
Switzerland	(SFr)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	107.7
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	101.6
Euro	(€)	1.4765	+0.0111	698 - 712	1.4714	1.4512	1.4673	2.6	1.462	2.3	1.4393	2.1	-
SDR†	-	1.173200											-
Americas													
Argentina	(Peso)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-	-	-	-	-
Brazil	(R$)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-	-	-	-	-
Canada	(C$)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	77.4
Mexico	(New Peso)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-
USA	($)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	108.2
Pacific/Middle East/Africa													
Australia	(A$)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	79.6
Hong Kong	(HK$)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-
India	(Rs)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-
Indonesia	(Rupiah)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-
Israel	(Shk)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-	-	-	-	-
Japan	(Y)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	130.2
Malaysia	(M$‡)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-	-	-	-	-
New Zealand	(NZ$)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	91.3
Philippines	(Peso)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-
Saudi Arabia	(SR)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-
Singapore	(S$)	2.7731	[illegible]	720 - 741	2.7748	2.7522	[illegible]	3.2	[illegible]	3.1	[illegible]	2.1	-
South Africa	(R)	9.9966	+0.0721	860 - 070	10.0070	9.8461	10.0908	-11.3	10.2267	-8.2	10.8232	-8.3	-
South Korea	(Won)	1959.91	-0.1400	781 - 200	1962.00	1945.63	-	-	-	-	-	-	-
Taiwan	(T$)	53.0574	+0.0632	638 - 510	53.1510	52.6436	53.3906	-7.5	53.5951	-4.1	54.4096	-2.5	-
Thailand	(Bt)	59.9710	+0.1843	757 - 863	60.0663	59.5160	60.4692	-10.0	60.8396	-5.8	62.502	-4.2	-

† Rates for Feb 26. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. * EMU member. The exchange rates printed in this table are also available on the internet at http://www.FT.com.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Mar 1		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan Index
Europe													
Austria*	(Sch)	12.5855	+0.0505	826 - 883	12.5975	12.4855	12.5654	1.9	12.5248	1.9	12.3108	2.2	102.4
Belgium*	(BFr)	36.8957	+0.1479	873 - 041	36.9310	36.6030	36.8367	1.9	36.7177	1.9	36.0902	2.2	102.5
Denmark	(DKr)	6.7995	+0.0270	970 - 020	6.8065	6.7437	6.7903	1.6	6.7737	1.5	6.678	1.8	105.1
Finland*	(FM)	5.4381	+0.0218	368 - 393	5.4433	5.3949	5.4295	1.9	5.4119	1.9	5.3194	2.2	80.7
France*	(FFr)	5.9995	+0.0240	981 - 009	6.0053	5.9519	5.99	1.9	5.9706	1.9	5.8685	2.2	105.2
Germany*	(DM)	1.7889	+0.0072	884 - 893	1.7906	1.7746	1.786	1.9	1.7802	1.8	1.7498	2.2	103.2
Greece	(Dr)	294.190	+1.0900	990 - 390	294.450	291.930	295.445	-5.1	297.54	-4.6	304.615	-3.5	62.5
Ireland*	(I£)	1.3883	-0.0056	880 - 886	1.3994	1.3869	1.3905	-1.9	1.395	-1.9	1.4193	-2.2	-
Italy*	(L)	1770.95	+7.1000	055 - 136	1772.65	1756.89	1768.12	1.9	1762.4	1.9	1732.29	2.2	75.2
Luxembourg*	(LFr)	36.8957	+0.1479	873 - 041	36.9310	36.6030	36.8367	1.9	36.7177	1.9	36.0902	2.2	102.5
Netherlands*	(Fl)	2.0156	+0.0081	151 - 160	2.0175	1.9996	2.0124	1.9	2.0059	1.9	1.9716	2.2	101.7
Norway	(NKr)	7.9245	+0.0080	215 - 275	7.9556	7.8640	7.9449	-3.1	7.9685	-2.2	7.9778	-0.7	90.7
Portugal*	(Es)	183.365	+0.7350	323 - 407	183.540	181.910	183.072	1.9	182.48	1.9	179.362	2.2	92.4
Spain*	(Pta)	152.180	+0.6100	145 - 215	152.330	150.970	151.937	1.9	151.448	1.9	148.858	2.2	76.3
Sweden	(SKr)	8.2275	+0.0155	240 - 310	8.2391	8.1461	8.2148	1.8	8.1922	1.7	8.0703	1.9	81.4
Switzerland	(SFr)	1.4558	+0.0067	553 - 563	1.4580	1.4461	1.4509	4.0	1.4425	3.7	1.4015	3.7	107.4
UK	(£)	1.6078	+0.0058	074 - 082	1.6098	1.5956	1.6069	0.7	1.6063	0.4	1.6088	-0.1	100.6
Euro	(€)	1.0934	-0.0044	931 - 938	1.1022	1.0919	1.0951	-1.9	1.0987	-1.9	1.1178	-2.2	-
SDR†	-	0.73230	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9999	+0.0003	999 - 999	0.9999	0.9999	-	-	-	-	-	-	-
Brazil	(R$)	2.0500	-0.0250	400 - 600	2.0600	1.9900	-	-	-	-	-	-	-
Canada	(C$)	1.5201	+0.0106	196 - 206	1.5230	1.5076	1.5203	-0.1	1.5204	-0.1	1.5193	0.0	77.8
Mexico	(New Peso)	9.9080	-0.0470	030 - 130	9.9150	9.8030	10.123	-26.0	10.478	-23.0	12.188	-23.0	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	108.7
Pacific/Middle East/Africa													
Australia	(A$)	1.6168	+0.0064	155 - 181	1.6221	1.6068	1.6164	0.3	1.6159	0.2	1.6153	0.1	79.6
Hong Kong	(HK$)	7.7473	-0.0005	470 - 475	7.7485	7.7470	7.7518	-0.7	7.7638	-0.9	7.9048	-2.0	-
India	(Rs)	42.4950	-0.1800	700 - 200	42.6500	42.4700	42.6925	-5.6	43.1262	-5.9	45.5712	-7.2	-
Indonesia	(Rupiah)	8835.00	-2.5000	000 - 000	8860.00	8800.90	9065	-31.2	9575	-33.5	11565	-31.1	-
Israel	(Shk)	4.0500	+0.0040	450 - 550	4.0550	4.0420	-	-	-	-	-	-	-
Japan	(Y)	119.425	+0.7750	400 - 450	119.780	118.890	118.915	5.1	117.98	4.8	113.415	5.0	132.3
Malaysia	(M$‡)	3.8000	-	300 - 300	3.8001	3.8000	-	-	-	-	-	-	-
New Zealand	(NZ$)	1.9059	-0.0021	040 - 077	1.9205	1.8997	1.9041	1.1	1.9023	0.7	1.9028	0.2	-
Philippines	(Peso)	38.9500	-	000 - 000	39.1000	38.8000	39.2365	-8.8	39.6975	-7.7	41.867	-7.5	-
Saudi Arabia	(SR)	3.7508	-0.0017	505 - 510	3.7512	3.7505	3.7605	-3.1	3.7748	-2.6	3.8353	-2.3	-
Singapore	(S$)	1.7248	+0.0028	245 - 250	1.7270	1.7220	1.7211	2.6	1.713	2.7	1.6875	2.2	-
South Africa	(R)	6.2175	+0.0225	125 - 225	6.2225	6.1625	6.2795	-12.0	6.3665	-9.6	6.7275	-8.2	-
South Korea	(Won)	1219.00	-4.5000	800 - 000	1221.00	1218.00	-	-	-	-	-	-	-
Taiwan	(T$)	33.0000	-0.0800	500 - 500	33.0500	32.9500	33.225	-8.2	33.365	-4.4	33.82	-2.5	-
Thailand	(Bt)	37.3000	-0.0200	500 - 500	37.3800	37.2900	37.63	-10.6	37.875	-6.2	38.85	-4.2	-

† SDR rate per $ for Feb 26. ‡ Official rate set by Malaysian government. The WM/Reuters rate for the valuation of capital assets is 5.43 MYR/USD, a discount of 30% on the official rate. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. UK, Ireland & Euro are quoted in US currency. J.P. Morgan nominal indices Feb 26: Base average 1990=100. Bid, offer, and spot rates and forward rates in both this and the Dollar table are derived from THE WM/REUTERS 4pm CLOSING SPOT and FORWARD RATE services. Some values are rounded by the F.T. * EMU member. The exchange rates printed in this table are also available on the internet at http://www.FT.com

WORLD INTEREST RATES

MONEY RATES

Mar 1	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Euro-zone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	3.00	3.00
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	1½	-	1.00	-
US	[illegible]	[illegible]	5	[illegible]	[illegible]	-	4.50	-
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	0.50	-
■ $ LIBOR BBA London								
Interbank Fixing	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
US Dollar CDs	-	4.74	4.78	4.82	4.96	-	-	-
Euro Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
SDR Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
BBA Euro Libor	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
Euro Euribor	-	3.122	3.099	3.059	3.079	-	-	-
EONIA	3.12	-	-	-	-	-	-	-
EURONIA	3.1147	-	-	-	-	-	-	-

London Interbank fixing rate (LIBOR) is the BBA London rate, fixed at 11am. Mid rates are shown for the domestic Money Rates, US$ CDs, Euro & SDR Linked Deposits (Ds).

INTERNATIONAL CURRENCY RATES

Mar 1	Short term	7 days notice	One month	Three months	Six months	One year
Euro	[illegible]	[illegible] - 3	[illegible]	[illegible]	[illegible] - 3	[illegible]
Danish Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canadian Dollar	[illegible]	5 - [illegible]	[illegible]	[illegible]	[illegible] - 5	[illegible]
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japanese Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible] - -	1½ - 1¼	[illegible]	2 - [illegible]	[illegible]	[illegible]

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH EURIBOR FUTURES (MATIF) Paris Interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	96.91	96.91	-0.02	96.94	96.90	5,567	38,751
Jun	96.94	96.96	-0.07	97.03	96.94	6,901	26,391

■ THREE MONTH EURIBOR FUTURES (LIFFE) €1m 100-rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	96.980	96.905	-0.035	96.960	96.895	34782	161334
Jun	97.020	96.955	-0.060	97.030	96.945	68959	147696
Sep	97.040	96.950	-0.075	97.040	96.945	48654	106519
Dec	96.740	96.650	-0.090	96.755	96.640	16652	91668

■ THREE MONTH EURO LIBOR FUTURES (LIFFE) €1m 100-rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	96.935	96.905	-0.035	96.935	96.900	1102	119403
Jun	97.010	96.955	-0.060	97.010	96.950	384	107368
Sep	97.030	96.950	-0.075	97.030	96.955	81	93880
Dec	96.755	96.650	-0.090	96.665	96.650	24	86811

■ EURIBOR OPTIONS (LIFFE) €1m 100-rate

Strike Price	Calls Mar	Calls Jun	Calls Sep	Calls Dec	Puts Mar	Puts Jun	Puts Sep	Puts Dec
96875	0.040	[illegible]	[illegible]	[illegible]	0.010	[illegible]	[illegible]	[illegible]
97000	0.015	0.075	0.120	0.085	0.110	0.120	0.170	0.435
97125	0.005	[illegible]	[illegible]	[illegible]	0.225	[illegible]	[illegible]	[illegible]
97250	0	0.025	0.050	0.040	0.345	0.320	0.350	0.640

Est. vol. total, Calls 24045 Puts 12235. Previous day's open int., Calls 223663 Puts 90660

■ THREE MONTH EURO LIBOR OPTIONS (LIFFE) €1m 100-rate

Strike Price	Calls Mar	Calls Jun	Calls Sep	Calls Dec	Puts Mar	Puts Jun	Puts Sep	Puts Dec
96875	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
97000	0.040	0.120	0.085	0.140	0.085	0.170	0.435	0.355
97125	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
97250	0.010	0.050	0.040	0.075	0.305	0.350	0.540	0.540

Est. vol. total, Calls 811 Puts 2361. Previous day's open int., Calls 281247 Puts 160254

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m 100-rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	98.710	98.640	-0.060	98.710	98.620	21589	78048
Jun	98.660	98.550	-0.090	98.650	98.530	37360	84285
Sep	98.520	98.450	-0.090	98.520	98.420	7971	39259
Dec	98.210	98.140	-0.070	98.210	98.120	2806	16848

■ THREE MONTH EUROYEN FUTURES (LIFFE) Y100m 100-rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar		99.64				0	na
Jun		99.72				0	na
Sep		99.70				0	na

* LIFFE futures also traded on APT

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr1m 100-rate

Strike Price	Calls Mar	Calls Jun	Calls Sep	Puts Mar	Puts Jun	Puts Sep
98750	0.020	0.090	0.120	0.130	0.290	0.440
98875	0.005			0.240		

Est. vol. total, Calls 0 Puts 250. Previous day's open int., Calls 3650 Puts 2562

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Mar 1		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	€
Belgium*	(BFr)	100	18.43	16.26	4.848	1.952	4800	5.463	21.48	497.0	412.5	22.30	3.946	1.686	4.120	2.710	323.7	2.479
Denmark	(DKr)	54.26	10	8.823	2.631	1.059	2605	2.964	11.65	269.7	223.8	12.10	2.141	0.915	2.236	1.471	175.6	1.345
France*	(FFr)	61.50	11.33	10	2.982	1.201	2952	3.360	13.21	305.6	253.7	13.71	2.427	1.037	2.534	1.667	199.1	1.525
Germany*	(DM)	20.63	3.801	3.354	1	0.403	990.0	1.127	4.430	102.5	85.07	4.599	0.814	0.348	0.850	0.559	66.76	0.511
Ireland*	(I£)	51.22	9.440	8.329	2.483	1	2459	2.798	11.00	254.6	211.3	11.42	2.021	0.864	2.110	1.388	165.8	1.270
Italy*	(L)	2.083	0.384	0.339	0.101	0.041	100	0.114	0.447	10.35	8.593	0.465	0.082	0.035	0.086	0.056	6.744	0.052
Netherlands*	(Fl)	18.31	3.374	2.977	0.888	0.357	878.6	1	3.932	90.97	75.50	4.082	0.722	0.309	0.754	0.496	59.25	0.454
Norway	(NKr)	46.56	8.580	7.571	2.257	0.909	2235	2.543	10	231.4	192.0	10.38	1.837	0.785	1.918	1.262	150.7	1.154
Portugal*	(Es)	20.12	3.708	3.272	0.976	0.393	965.8	1.099	4.322	100	82.99	4.487	0.794	0.339	0.829	0.545	65.13	0.499
Spain*	(Pta)	24.24	4.468	3.942	1.175	0.473	1164	1.324	5.207	120.5	100	5.406	0.957	0.409	0.999	0.657	78.48	0.601
Sweden	(SKr)	44.84	8.264	7.292	2.174	0.876	2152	2.450	9.632	222.9	185.0	10	1.769	0.756	1.848	1.215	145.2	1.112
Switzerland	(SFr)	25.34	4.671	4.121	1.229	0.495	1216	1.385	5.443	126.0	104.5	5.652	1	0.427	1.044	0.687	82.03	0.628
UK	(£)	59.31	10.93	9.645	2.876	1.158	2847	3.240	12.74	294.8	244.6	13.23	2.341	1	2.444	1.608	192.0	1.470
Canada	(C$)	24.27	4.473	3.947	1.177	0.474	1165	1.326	5.213	120.6	100.1	5.412	0.958	0.409	1	0.658	78.56	0.602
USA	($)	36.89	6.800	5.999	1.789	0.720	1771	2.015	7.925	183.4	152.2	8.228	1.456	0.622	1.520	1	119.4	0.915
Japan	(Y)	30.89	5.694	5.024	1.498	0.603	1483	1.688	6.636	153.5	127.4	6.889	1.219	0.521	1.273	0.837	100	0.766
Euro	(€)	40.34	7.434	6.560	1.956	0.788	1936	2.204	8.664	200.5	166.4	8.996	1.592	0.680	1.662	1.093	130.6	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100. * EMU member

■ D-MARK FUTURES (CME) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.5622	0.5603	-0.0035	0.5638	0.5591	11,107	55,580
Jun	0.5650	0.5620	-0.0046	0.5620	0.5620	605	2,571
Sep	-	0.5698	-	-	-	30	183

■ JAPANESE YEN FUTURES (CME) Yen 12.5m per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.8416	0.8380	-0.0036	0.8430	0.8362	33,767	81,558
Jun	0.8560	0.8482	-0.0037	0.8560	0.8464	1,713	7,303
Sep	-	0.8923	-	-	-	83	1,503

■ SWISS FRANC FUTURES (CME) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.6907	0.6875	-0.0100	0.6923	0.6871	11,087	54,651
Jun	0.6973	0.6939	-0.0081	0.6974	0.6932	1,167	5,850
Sep	-	0.7085	-	-	0.7010	85	324

■ STERLING FUTURES (CME) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	1.5990	1.6062	+0.0050	1.6090	1.5950	4,912	67,540
Jun	1.6000	1.6050	+0.0048	1.6078	1.5960	849	3,173
Sep	-	1.6040	+0.0048	1.6060	-	1	231

UK INTEREST RATES

LONDON MONEY RATES

Mar 1	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	-	-	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills	-	-	[illegible]	[illegible]	-	-
Bank Bills	-	-	[illegible]	[illegible]	-	-
Local authority deps.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Discount Market deps	[illegible]	[illegible]	-	-	-	-

UK clearing bank base lending rate 5½ per cent from Feb 4, 1999

	Up to 1 month	1-3 months	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	4	6.5	6.5	6.25	6.25

Certs of Tax dep. under £100,000 is [illegible]

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	94.860	94.800	-0.030	94.850	94.800	[illegible]	[illegible]
Jun	94.840	94.750	-0.075	94.850	94.720	37106	191848
Sep	94.800	94.710	-0.070	94.800	94.690	84388	[illegible]
Dec	94.660	94.485	-0.185	[illegible]	94.460	16934	145339
Mar	94.810	94.610	-0.200	94.810	94.600	25791	137768

Also traded on APT. All Open Interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	Calls Mar	Calls Jun	Calls Sep	Puts Mar	Puts Jun	Puts Sep
94500	0.130	0.325	0.370	0.030	0.075	0.160
94625	0.070			0.095		
94750	0.035	0.165	0.230	0.185	0.165	0.270
94875	0.015			0.290		
95000	0.005	0.075	0.130	0.405	0.325	0.420
95125	0			[illegible]		

Est. vol. total, Calls 8013 Puts 9206. Previous day's open int., Calls 574553 Puts 545616

EMS EUROPEAN CURRENCY UNIT RATES

Mar 1	Euro cen. rates	Rate against Euro €	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Greece	353.109	321.750	-0.2	-8.88	9.37	59
Denmark	7.46038	7.4347	+0.0003	-0.34	0.00	2
NON ERM MEMBERS						
UK	0.653644	0.6829	-0.0044	4.48	-4.81	-

Euro central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Euro; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Euro central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Euro central rate. 17/9/92 Sterling suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	Calls Mar	Calls Apr	Calls May	Puts Mar	Puts Apr	Puts May
1.590	1.82	2.69	3.19	0.62	1.48	1.96
1.600	1.28	2.18	2.64	0.97	1.82	2.41
1.610	0.87	1.75	2.22	1.45	2.40	2.89

Previous day's vol., Calls 6 Puts 10 . Prev. day's open int., Calls 374 Puts 1,813

■ PHILADELPHIA SE D-MARK OPTIONS DM62,500 ($ per DM)

Strike Price	Calls Mar	Calls Apr	Calls May	Puts Mar	Puts Apr	Puts May
0.550	0.61	0.89	1.21	0.20	0.53	0.88
0.555	0.34	0.71	0.84	0.43	0.76	0.91
0.570	0.19	0.50	0.71	0.75	1.05	1.19

Previous day's vol., Calls - Puts - . Prev. day's open int., Calls 408 Puts 2,734

■ THREE MONTH EURODOLLAR (CME) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	94.96	94.94	-0.02	94.97	94.95	47,747	447,867
Jun	94.82	94.80	-0.01	94.85	94.79	86,176	498,028
Sep	94.57	94.60	-0.04	94.70	94.60	150,400	457,861

■ US TREASURY BILL FUTURES (CME) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	95.49	95.47	-0.03	95.49	95.47	103	2,365
Jun	95.45	95.45	-0.03	95.45	95.45	32	1,324

All Open Interest figs. are for previous day

BASE LENDING RATES

	%		%		%
Adam & Company	5.50	Exeter Trust Limited	6.50	Smith & Williamson	5.50
Allied Irish Bank (GB)	5.50	●Robert Fleming & Co	5.50	Sun Bank	5.50
●Henry Ansbacher	5.50	Habib Bank AG Zurich	5.50	TSB	5.50
Banco Bilbao Vizcaya	5.50	Heritable & Gen Inv Bk	5.50	United Bank of Kuwait	5.50
Bank of Cyprus	5.50	C. Hoare & Co	5.50	Unity Trust Bank Plc	5.50
Bank of Ireland	5.50	●Hambros Bank & Trust	5.50	Whiteaway Laidlaw	5.50
Bank of India	5.50	Hongkong & Shanghai	5.50	Yorkshire Bank	5.50
Bank of Scotland	5.50	Investec Bank (UK) Ltd	5.50		
Barclays Bank	5.50	Julian Hodge Bank	5.50		
Brit Bk of Mid East	5.50	●Leopold Joseph & Sons	5.50		
●Brown Shipley & Co Ltd	5.50	Lloyds Bank	5.50		
Citibank NA	5.50	Midland Bank	5.50		
Clydesdale Bank	5.50	NatWestminster	5.50		
The Co-operative Bank	5.50	●Rea Brothers	5.50		
Coutts & Co	5.50	Royal Bk of Scotland	5.50		
Cyprus Popular Bank	5.50	Scottish Widows Bank	5.50		
Duncan Lawrie	5.50	●Singer & Friedlander	5.50		

● Members of London Investment Banking Association

COMMODITIES & AGRICULTURE

Fall in gold production costs of 17%

By Stephen Wyatt in Sydney

Gold production costs fell 17 per cent last year as gold miners worldwide pushed down costs to cope with the rout in the gold market over the past three years, according to an industry research group.

The western world cash operating cost of producing gold fell 17 per cent to an average of US$193 an ounce in 1998, according to a report by the AME Mineral Economics, a Sydney-based commodities research and consulting group. Gold prices, meanwhile, fell from $415 an ounce in early 1996 to the current $285 level.

AME's study found that, in real terms, average Australian gold mining cash costs fell to US$204 an ounce, $43 less than average 1997 costs. South Africa's average cash costs fell by $52 an ounce to $354. US gold cash costs fell $40 to $163 and Canadian costs fell $11 to US$200.

The primary factor driving US dollar-denominated costs lower in Australia, South Africa and Canada was their weak domestic currencies and the currency weakness also boosted gold prices in local currency terms.

While gold prices in US dollar terms fell to 18-year lows of US$272 an ounce late last year, gold in Australian dollar terms actually rallied through A$600 an ounce to its highest level in two years last October. South African and Canadian producers experienced similar local currency-denominated price increases.

This was one reason why the slump in US dollar gold prices has not induced a corresponding reduction in supply.

AME forecast that western world gold supply will actually increase by 40 tonnes this year, rather than decline in response to the collapse in US dollar gold prices.

Lower costs also suggested that, even though gold was trading just above its lowest level for 18 years, it was still not necessarily underpriced, said AME.

It estimated the 90 percentile line – the level at which 90 per cent of gold producers break even – had fallen from $344 an ounce in 1997 to $280 last year.

This indicated that the current prices below US$300 an ounce gold prices were substantiated by actual mine costs and were not necessarily influenced by concerns of market oversupply from central bank sales and producer forward-selling, said AME.

Last Friday, when the Australian dollar gold price rallied sharply through the A$460 level on the back of the weaker Australian dollar, dealers reported substantial Australian gold producer forward-selling.

Also "there has been a lot of call option selling by producers", said Simon Klimt, head of commodities for Westpac Bank in Sydney.

Meanwhile, the outlook for the gold price, based on forecast production costs, remains dismal. AME forecast the 90 percentile line will fall to $258 an ounce in 2002.

With the declining spot price of gold, many producers are now more dependent upon the premium received (the contango) by selling gold forward, said AME.

Australian gold producers have embraced the benefits of forward-selling gold. Australia's next three years' gold production has already been sold forward at prices above A$600 an ounce, significantly above current price levels of A$460.

Malaysian tea growers brew expansion plans

Producers hope the country can attain self-sufficiency in the recession-proof commodity by 2010, writes, **Sheila McNulty**

The rolling green hills of Cameron Highlands are thick with tea bushes, the pavements lined with tea sippers, and the shops stocked with package after package of locally produced tea. However, although Malaysia produces 6.5m kg to 7m kg of black made tea a year, it is not enough to quench the thirst of the population of more than 20m.

The seven-member Malaysia Tea Producers Association says land is scarce for growing tea, as the leading commodities, palm oil and rubber, claim wide swathes of the country, and Malaysia therefore imports about 3m kg of tea a year.

The producers association is now working to expand yields through increased mechanisation and productivity and hopes that the crop will attain self-sufficiency by 2010.

Its chances of success rest mainly with Boh Plantations, a company started 70 years ago by J.A. Russell of the UK.

Producing 4m kg of black made tea annually, the Russell family company controls 60 per cent of the market. Its 1,000 workers toil on both highland and lowland plantations. It is hard, manual labour and no longer appealing to most Malaysians, so even amid the recession Boh must import 40 per cent of its labour from countries such as Indonesia and Bangladesh.

However, it has nevertheless increased productivity, with 30 to 40 per cent growth in output over the past three to five years, says Christopher Thiagarajah, marketing manager.

The economic downturn has actually worked in Boh's favour. Tea turns out to be recession proof, as the downturn leads people to turn to it from higher priced beverages. The downturn itself spawned a "Buy Malaysian" campaign to reduce imports and help the trade balance.

This has highlighted Boh above its main competitor on store shelves – Lipton, which does not produce tea in Malaysia and is estimated to control between 25 and 30 per cent of the market. The rest is held by Boh and Malaysia's other producers, mostly state-controlled operations.

Despite those advantages, last year was not entirely favourable to Boh. It was forced to buy about 20 per cent of its tea, instead of about 5 per cent usually, as drought and then floods cut yields. But sales remained strong. Caroline Russell, the founder's granddaughter, is aggressively pursuing the younger generation, given that 44 per cent of the population is below age 19.

"Brands like Boh are in danger of being perceived as old-fashioned, boring and irrelevant to the youth market, thus our mission to revitalise and rejuvenate the concept of tea in the country," she says. "There is an urgent need to reposition tea as a healthy and great-tasting refreshment."

So, in addition to its widely recognised brown and orange simple packaging and basic blends, Boh has launched colourful packaging, featuring peach, lemon, lime and "orchard splash" iced tea mixes. It has also taken a page out of Starbucks' success story by opening tea shops to showcase its products.

Its latest, and fourth, "Umphh! Shop" cannot be missed – it is in the tallest buildings in the world at the centre of the capital, the Petronas twin towers.

The bright orange and brown walls hark back to the company's roots but they enclose all the trappings of a 1990s marketing campaign: books on the Russell family history, tea sets and trays, scones and cakes, and a wide variety of tea with free tastings.

"Even with the current economic climate, the food and beverage industry remains a necessity," Mr Thiagarajah says.

India to raise cotton imports

By Kunal Bose in Calcutta

Indian textile mills are increasing their imports of cotton this year as world cotton prices have fallen 15 per cent to 20 per cent below that of domestic prices.

Industry officials say Indian mills, which usually use locally-grown cotton, have signed contracts to import more than 700,000 bales of 170 kg each for the season ending in September. Total imports by end-September will be more than 1m bales, compared with 400,000 bales last season.

With Indian growers expecting a bumper crop of 17.5m bales when the season began, the Cotton Advisory Board said imports would fall to about 200,000 bales.

"India, one of the world's largest producers of cotton, allows duty-free imports of the commodity. Therefore, until such time that Indian prices match world prices, the mills here will continue to import cotton," CAB said.

India is expected to export 500,000 bales this season, but there is "very little interest in Indian cotton at the current prices", said Anil Jain, managing director of Indo Count Industries, a leading cotton yarn manufacturer.

Mr Jain said the US Department of Agriculture's lowering its estimates of world consumption this season by 1.04m bales to 84.6m bales and of exports by 250,000 bales to 34.5m bales would keep prices for some time at their four-year lows.

The fall in world cotton prices began in the middle of last year but trade officials say Indian prices are likely to stay largely flat – even though the crop is now estimated at 16.6m bales against 15.8m bales in 1997-98. There was some crop damage in leading growing centres such as Maharashtra, Punjab and Haryana, they said.

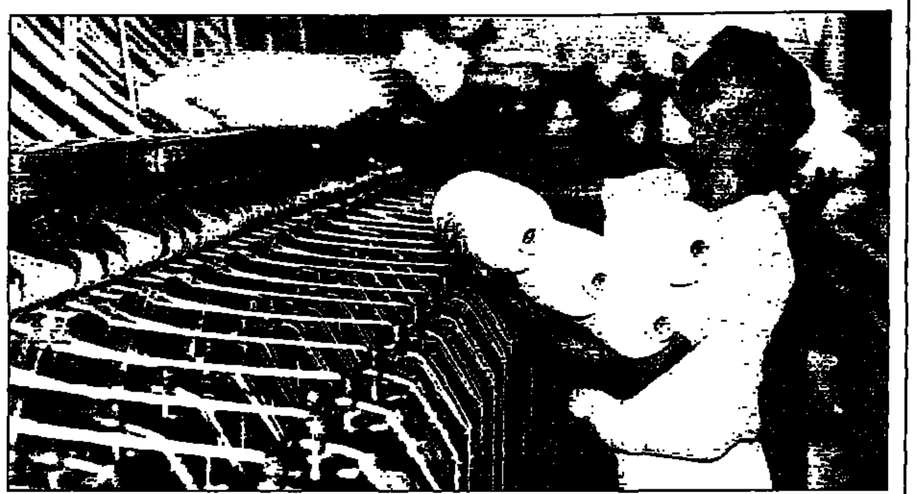
"The latest crop estimate cannot be taken as final. It will be only at the beginning of the next growing season that we will know the exact size of the 1998-99 crop," said Mr Jain.

The margin of error in cotton crop forecasting in India is 20 per cent and more, compared with less than 10 per cent in the US. But all this should change as the Indian government has decided to create a national crop forecasting agency, said Mr Jain.

Indian mill consumption of cotton will be around 13.8m bales, against the original forecasts of 14.4m bales.

A large number of mills have stopped production because of the slump in demand and trade officials say poor mill demand and large imports will pull Indian cotton prices down as the season progresses.

Mr Jain said cotton prices in Pakistan also remained flat, as textile mills facing liquidity crises were not able to build stocks, he said.



Indian mills usually use locally grown cotton but duty-free imports are now 15% to 20% cheaper

Raw sugar futures at lowest for 12 years

MARKETS REPORT

By Paul Solman, Robert Corzine and Gillian O'Connor

Raw sugar futures dropped to a 12-year low in New York yesterday as continuing fears about global supply prompted a bout of selling.

The most actively traded May contract on the Coffee, Sugar and Cocoa Exchange dropped to 5.92 cents a pound at one stage, its lowest since 1987. In later trading, it had recovered to 5.96 cents against Friday's close of 6.26 cents.

May white sugar on the London International Financial Futures and Options Exchange was also weak, at $214.50 a tonne in late trading against Friday's $217.80.

Palm oil prices fell on Kuala Lumpur's Commex futures exchange, the May contract closing down M$23 at M$1,630 a tonne. The contract has lost M$564, or a quarter of its value, since the beginning of the year.

Oil prices remained in the doldrums yesterday, with Brent Blend for April delivery quoted at $10.71 a barrel in late trading on London's International Petroleum Exchange, down 17 cents from Friday's close.

Even news of a disruption to Iraq's main export pipeline following renewed US air attacks failed to impress the market.

Aluminium sank to a five-year low on the London Metal Exchange as mining group Billiton said it had no intention of cutting production, since it is still making money at current prices.

Merrill Lynch's commodity research team said "there is absolutely no evidence that the current run of low prices has significantly affected production plans. While consumption may start to increase later this year, the end result will be another huge surplus."

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1158 5/9 5	1178.5-9.5
Previous	1174-5	1191-2
High/low		1185/1172
AM Official	1160-61	1181-82
Kerb close		1171-2
Open int.	299,281	
Total daily turnover	78,158	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1008-13	1036-8
Previous	1015-20	1042-7
High/low		1045/1030
AM Official	1010-11	1039-40
Kerb close		1025-30
Open int.	8,339	
Total daily turnover	2,773	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	518-9	515-6
Previous	522-3	520-1
High/low		516/514
AM Official	516.5-7	513.5-4.5
Kerb close		514-5
Open int	37,485	
Total daily turnover	11,482	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	4835-35	4885-95
Previous	4875-85	4935-40
High/low		4930/4860
AM Official	4830-40	4895-900
Kerb close		4920-30
Open int.	74,032	
Total daily turnover	16 505	

■ TIN ($ per tonne)

	Cash	3 mths
Close	5390-400	5320-30
Previous	5395-405	5325-30
High/low		5340/5270
AM Official	5375-80	5300-10
Kerb close		5320-30
Open int	21,347	
Total daily turnover	6,422	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1044-5	1050-51
Previous	1051-2	1059-60
High/low		1053/1043
AM Official	1041 5-42	1046-47
Kerb close		1049-51
Open int	99,552	
Total daily turnover	19,031	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	1365-6	1391 5-92.0
Previous	1378-9	1402-3
High/low		1401/1387
AM Official	1362-63	1389.5-90
Kerb close		1390-1
Open int.	170,589	
Total daily turnover	58,573	

■ LME AM Official £/$ rate: 1.6063
LME Closing £/$ rate: 1.6065

Spot 1.6064 3 mths 1.6050 6 mths 1.6050 9 mths 1.6058

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	61 60	-0.75	62.40	61 55	5,005	5,478
Apr	62 05	-0 80	62.40	62.05	165	3,636
May	62 40	-0 85	63 30	62.40	6,607	37,946
Jun	62 85	-0 75	63 30	62.90	218	1,693
Jul	63 15	-0 80	63.60	63.10	1,363	9 140
Aug	63 50	-0.80	64.80	64 80	39	1 411
Total					14,230	78,555

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	285.60-286 10		
Opening	287 50-287 50		
Morning fix	287.050	179 037	260.955
Afternoon fix	286.700	178.629	261.994
Day's High	287.10-287.60		
Day's Low	285.90-286 40		
Previous close	286 70-287.20		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month .... 4 24 6 months 4.07
2 months .... 4.20 12 months 3 73
3 months 4 17

Silver Fix	p/troy oz.	US cts equiv.
Spot	349.72	511 607

Silver Lending Rates

1 month .... -5/- 6 months .... -5/-
2 months .... -5/- 12 months .... -5/-
3 months .... -5/-

Gold Coins	$ price	£ equiv.
Krugerrand	290-294	180-183
New Sovereign	68-72	42-45

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	286.9	-0.6	9	-	2	59
Apr	287.7	-0.6	288.8	286.5	35,543	109k
Jun	289.5	-0.6	290.4	288.5	2,502	24,632
Aug	291.5	-0.5	291.6	291.5	710	7,254
Oct	293.4	-0.5	293.8	293.8	53	2,886
Dec	295.3	-0.5	296.0	294.4	108	13,370
Total					39,238	193,545

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Apr	380.1	-1 6	382.2	376.5	1,259	13,561
Jul	376.6	-2.1	379.0	373.0	117	2,805
Oct	375.1	-2.1	372.0	372.0	15	953
Total					1,391	17,323

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	350.00	-0.60	350.00	348.00	339	686
Jun	348.00	-2.10	355 00	348.00	259	2,439
Sep	341.00	-3.10	-	-	-	131
Total					598	3,362

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	552.8	-10.7	569.0	550.0	2,767	5,578
May	552.5	-10.5	566.0	549.0	18,024	57,885
Jul	552.0	-10.5	562.0	549.5	2,446	16,885
Sep	549.9	-10.1	553.5	547.0	86	4,309
Dec	545.7	-9.7	557.0	545.0	92	8,281
Jan	545 4	-9 7	-	-	-	11
Total					23,418	98,954

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Apr	12.27	-	12.55	12.18	64,878	117k
May	12.41	+0.01	12.63	12.35	26,147	73 026
Jun	12.55	+0.03	12.70	12.49	6 606	51.577
Jul	12.75	+0.12	12.78	12.61	3,929	27,633
Aug	12.75	+0.02	12.87	12.73	1,983	20 220
Sep	12.83	-	12.83	12.83	1 173	13.943
Total					112,890	520,358

■ CRUDE OIL IPE ($/barrel)

	6pm price	Day's change	High	Low	Vol	Open int
Apr	10.71	-0.17	11 00	10 71	15 920	57,639
May	10.90	-0.10	11 14	10 90	7,610	51 282
Jun	11 06	-0.12	11.29	11.06	3,174	38 173
Jul	11.24	-0 08	11.43	11.24	1,297	16 741
Aug	11 47	+0.01	11.54	11.41	239	6,102
Sep	11.67	-0.06	11.67	11.67	39	5 063
Total					n/a	n/a

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Apr	32.20	-0.17	33.80	32.10	22,531	46 107
May	32.75	-0 12	34.30	32.65	6 123	19.486
Jun	33.30	-0 12	34 85	33 30	1,394	18,913
Jul	34 05	-0 02	35 50	34.05	1 159	12 443
Aug	34 90	+0 08	35 15	34.90	767	9.709
Sep	35.85	-	35 85	35.85	193	6 168
Total					51,865	157,178

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	97.50	-2.75	100.75	97.25	10,469	23 917
Apr	97.50	-2.75	100.50	97.25	5,730	25,322
May	99.00	-2.00	100.50	99 00	2,297	14,351
Jun	100 75	-1.75	102.25	101 00	2 485	13 402
Jul	103 00	-1.75	104 50	103.00	824	5 416
Aug	105 25	-	105.25	105.25	20	5 533
Total					24,0001	28,263

■ NATURAL GAS IPE (1 000 therms; pence per therm)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	9 290	-0.020	9 290	9 290	35	3.760
Apr	9.210	-0.010	92100	9.210	10	2.025
Total					680	22.065

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Vol	Open int
Apr	1 705	-0.077	1 710	1 650	20 543	67 257
May	1 735	-0.074	1.735	1,690	6 946	29 776
Jun	1.760	+0.064	1 765	1.715	7 013	20 905
Jul	1 805	+0.062	1 805	1 760	2 155	15 607
Aug	1 845	+0.055	1.845	1,805	2,791	14 014
Sep	1 895	+0 061	1.875	1,840	1 676	15.377
Total					91,073	277,650

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Mar	35.10	-	38.65	35 00	16.371	2.573
Apr	37 75	-0.23	38.65	37.65	19 456	41 442
May	38.95	-0 18	39 65	38 90	4,412	20 031
Jun	39.90	-0.13	40.40	39.90	1,172	18,524
Jul	40.75	+0 12	41 00	40 70	521	16 434
Aug	41 00	-0.03	41 35	40.90	137	4 063
Total					42,604	113,877

GRAINS AND OIL SEEDS

■ WHEAT LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	71.50	-1.10	73.05	72.75	27	112
May	74.00	-1.40	74.75	73.75	212	3,480
Jul	75.75	-1.55	75.80	75.50	20	1,270
Sep	73.75	-1.50	-	-	-	191
Nov	75 75	-1.50	76.50	75.75	27	2,698
Jan	77.75	-1.50	78.50	77.90	-	427
Total					285	8,223

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	244.50	+7.25	245.50	238.50	14,811	10,608
May	254.75	+6.25	256.50	249 00	17,229	49,363
Jul	264.75	+5.75	266.50	259 50	12,342	53,818
Sep	275.25	+5.75	276.50	270.50	1,032	5,208
Dec	290.00	+6.00	290.50	286.00	1,049	7,320
Mar	297.00	+6.00	296.50	291.00	74	2,330
Total					46,586	128,711

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	206.25	+1.75	209.25	204.50	32,286	24,951
May	211.25	+1.00	215.25	210.25	36,818	141.323
Jul	217.25	+1.25	221.00	215.50	19,044	104,201
Sep	224.25	-	227.50	224.00	4,565	24,475
Dec	234.00	+0.25	237.00	233.50	11,381	63,552
Mar	241.75	+0.75	244.50	241.75	491	7,137
Total					104,862	369,907

■ BARLEY LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	74.25	-1.25	75.25	75.25	11	70
May	74.25	-1.25	75.25	74.25	23	163
Sep	73.75	-0.75	-	-	-	35
Nov	76.00	-0 75	76.75	76.75	10	278
Jan	78 00	-0.75	-	-	-	20
Total					29	566

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	454.50	+4.75	458.50	450.50	14,255	8 781
May	463.00	+6 00	468.00	457 50	34,848	58,624
Jul	471.25	+5.00	476.00	465.50	9,486	45,125
Aug	474 75	+5.00	478 50	472.00	1,484	13,728
Sep	476 75	+3.00	481.50	475 50	381	4,920
Nov	486.25	+3 25	490.50	482.50	6,732	25,328
Total					67,494	159,605

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	17.70	+0.08	17.96	17.38	9.933	5.809
May	18 04	+0.18	18.30	17.65	16,215	54.391
Jul	18.31	+0.22	18.57	17 98	5 850	32.671
Aug	18 47	-0.23	18 65	18.14	701	6,899
Sep	18 61	+0.22	18.75	18 30	816	6.923
Oct	18.70	+0.21	18.90	18 45	370	4.109
Total					40,630	137,895

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	124.9	+3.4	128 0	122.5	8,207	10.191
May	127.4	-2.9	131.0	124 5	12,412	48.036
Jul	129.7	-2.2	130 0	127 0	5,857	39,062
Aug	131.2	+2.5	134.0	129 8	1,729	10.772
Sep	132 5	+2.5	135.0	131.6	299	9 116
Oct	134.2	+2.3	137 0	132.9	124	4,017
Total					31,291	133,151

■ POTATOES LIFFE (20 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Apr	289.0	-13.5	299 0	288.0	88	1,969
May	333.0	-11 5	340.0	340.0	17	29
Jun	343.0	-11 5	-	-	-	-
Nov	90.0	-3.0	-	-	-	3
Mar	115.0	-3.0	-	-	-	-
Total					99	2,053

■ FREIGHT (BIFFEX) LIFFE ($10/index point)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	1005	-45	1040	1000	30	208
Apr	1005	-45	1035	1005	56	910
Jul	860	-30	894	850	43	573
Oct	980	-20	1000	1000	-	368
Jan	985	-20	1000	995	10	29
Total					82	2,084

	Close	Prev
BFI	978	984

PULP AND PAPER

■ PULPEX OMLX (US$, 24 air dry tons)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	397 00	-9 00	400 00	397 00	28	275
Jun	424 00	-	-	424 00	-	329
Total						

FUTURES DATA
All futures data supplied by CMS.

Minor Metals from Metal Bulletin
European free market $ per pound in warehouse. **Antimony:** 99.65%, $ per tonne, 1,430-1,485. **Bismuth:** min 99.99%, tonne lots, 3.00-3.20 (2.90-.10). **Cadmium:** min. 99.95%, cents a pound, 20-24. **Cobalt:** MB free market, min 99.8%, 18.30-19.80 (18.50-20.00). min. 99.3% 16.30-17.30 (16.70-18.00). **Mercury:** min. 99.99%, $ per 76 pound flask, 137-145. **Molybdenum:** drummed molybdic oxide, 3.05-3.10 (2.95-3.10). **Selenium:** min. 99.5%, 1.40-2.30. **Tungsten ore:** 33-44. **Uranium:** Nuexco, unrestricted exchange value 8.65. **Vanadium:** min. 98%, 2.40-2.55 (2.45-2.55).

SOFTS

■ COCOA LIFFE (10 tonnes; £/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	896	-5	901	894	1,104	6,891
May	898	-7	902	895	2,538	50,753
Jul	915	-7	918	914	325	13,490
Sep	933	-6	935	930	657	30,091
Dec	954	-6	955	952	215	25,876
Mar	976	-6	977	971	674	17,508
Total					6,288	187,855

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	1279	+13	1279	1265	512	706
May	1289	+11	1291	1275	3,397	35,900
Jul	1310	+8	1312	1298	142	11,591
Sep	1336	+8	1336	1325	83	5,969
Dec	1373	+8	1375	1365	77	5,971
Mar	1411	+8	1410	1403	122	6,291
Total					4,493	68,440

■ COCOA (ICCO) (SDR's/tonne)

Feb 26	Price	Prev. day
Daily	1019.95	1027.29

■ COFFEE LIFFE (5 tonnes; $/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	1748	+33	1759	1708	1,314	11,636
May	1608	-14	1630	1608	4,063	23,300
Jul	1588	-14	1609	1588	1,049	7,216
Sep	1583	-14	1604	1588	178	2,389
Nov	1573	-17	1600	1580	94	1,096
Jan	1563	-17	1589	1575	44	381
Total					6,703	48,107

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	102.85	+0.15	104.00	102.70	322	1,624
May	103.15	+0.25	104.20	102.70	6,480	22,827
Jul	104 40	+0.35	105 50	104.20	1,125	6,465
Sep	105.80	+0.15	107.00	105 80	447	3,770
Dec	107 60	+0.20	108.10	107.75	187	1,828
Mar	109.30	+0.15	110.50	110.00	16	547
Total					8,601	37,127

■ COFFEE (ICO) (US cents/pound)

Feb 26		Prev. day
Comp daily	90 62	91.53
15 day average	92.14	92.26

■ WHITE SUGAR LIFFE (50 tonnes; $/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
May	213.9	-3.9	219.5	214.0	2,016	24,656
Aug	205 1	-3.7	209.5	205.2	1,008	12,192
Oct	199 1	-4.5	204.5	199.0	482	8,428
Dec	201.4	-4.2	204.6	201 0	70	2,002
Mar	205.0	-3.9	208 7	204.1	132	2,713
May	206.0	-3.9	211.2	211.2	50	991
Total					3,625	50,984

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
May	6 02	-0.24	6.26	5.92	18,333	71,140
Jul	5.84	-0.21	6.03	5.76	7,436	42,030
Oct	6 16	-0.20	6.29	6.11	1,693	24,763
Mar	6.67	-0.18	6.84	6 67	758	15,504
May	6 72	-0.18	6.90	6.74	70	2,598
Jul	6.79	-0 19	6.96	6 79	14	1,688
Total					39,753	162,474

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	64.75	+0.97	64.75	63 60	124	2,154
May	58.49	+0.60	58.50	57.45	7,385	33,498
Jul	57.72	+0 58	57.80	56.81	1,606	16.825
Oct	58.25	+0.40	58.00	57.70	12	1,710
Dec	58.66	+0.46	58.75	57 99	1,056	18 184
Mar	59.50	+0.30	59.50	59.15	55	2,001
Total					10,244	73,526

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	87 00	+4.25	87 00	83.60	1,735	2,145
May	83 25	+2.30	83.50	79.75	2,957	15,546
Jul	83.00	+2.45	83.20	79 75	334	4,903
Sep	82 60	+1.60	82.60	79.80	315	2,108
Nov	82.80	+1.80	82 75	79.80	98	1 415
Jan	83.30	+2.15	83.00	81 00	89	914
Total					5,594	27,333

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open interest totals are for all traded months

INDICES

■ Reuters (Base: 18/9/31 = 100)

Mar 1	Feb 26	month ago	year ago
1411 3	1422 80	1436.10	1694 0

■ CRB Futures (Base: 1967 = 100)

Feb 26	Feb 25	month ago	year ago
182 95	184.74	-	-

■ GSCI Spot (Base: 1970 = 100)

Feb 26	Feb 25	month ago	year ago
130.92	133.24	132.17	164.19

LME WAREHOUSE STOCKS (tonnes)

Aluminium	+1,175	to	812,700
Aluminium alloy	-1 080	to	87,880
Copper	+1,625	to	685,700
Lead	-100	to	107,825
Nickel	-42	to	60,480
Zinc	+1 875	to	311,575
Tin	+610	to	8,310

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Apr	68.250	+0.225	68.450	67.875	10,258	54,842
Jun	65.525	-0.075	65.850	65.425	2,871	30,864
Aug	64.100	-0.125	64.350	64.000	580	14,900
Oct	65.625	-0.200	65.900	65.550	468	8,741
Dec	67.175	+0.175	67.300	67.000	111	3,863
Feb	68.500	+0.200	68.750	68.500	199	773
Total					15,695	114,289

■ LEAN HOGS CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Apr	43.475	+0.475	43.500	42.600	4,577	17.077
Jun	55.450	+0.600	55.500	54.500	2,406	9.902
Jul	56.550	+0.475	56.700	55.550	286	4,139
Aug	56.525	+0.350	56.575	55.850	273	3,899
Oct	55.250	+0.150	55.350	55.000	244	4,517
Dec	55.475	-0.025	57.300	55.250	26	2,130
Total					7,830	42,038

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Mar	49.075	-0.425	49.700	48.500	1,050	1,677
May	50.800	-0.625	51.600	50.250	663	2,287
Jul	52.100	-0.350	52 450	51.550	86	732
Aug	51.525	-0.025	52.000	51.400	56	303
Total					1,855	4,999

LONDON TRADED OPTIONS

Strike price $ tonne	Calls		Puts	
■ ALUMINIUM (99.7%) LME	Apr	Jul	Apr	Jul
1150	32	64	19	29
1200	11	39	48	53
1250	3	21	89	85
■ COPPER (Grade A) LME	Apr	Jul	Apr	Jul
1350	55	98	23	44
1400	29	71	48	67
1450	14	50	82	95
■ COFFEE LIFFE	May	Jul	May	Jul
1600	142	57	1	49
1650	92	36	1	78
1700	43	21	1	113
■ COCOA LIFFE	May	Jul	May	Jul
900	32	49	34	34
925	23	37	50	47
950	17	27	69	62
■ BRENT CRUDE IPE	Mar	Apr	Mar	Apr
1050	42	-	18	33
1100	26	62	35	52
1150	12	44	-	-

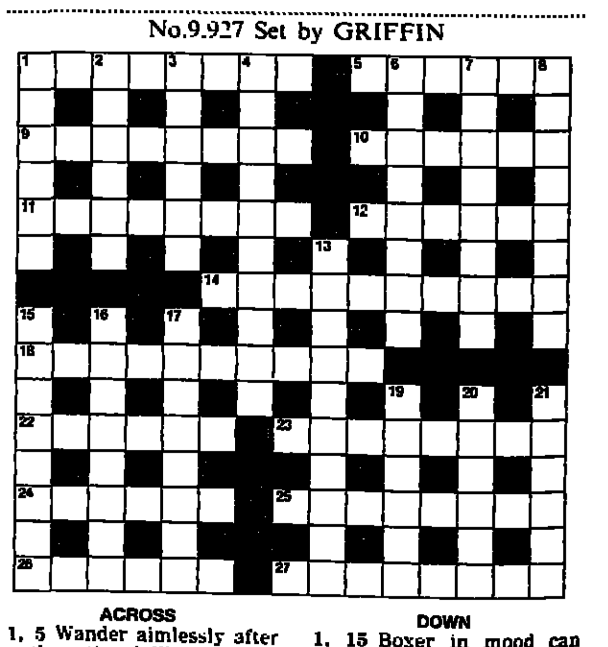
LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel)		+or-
Dubai	$10.09-0.20	-0.070
Brent Blend (dated)	$10.17-0.32	-0.140
Brent Blend (Apr)	$10.77-0.82	-0.070
W.T.I.	$12.24-2.26x	-0 135
■ OIL PRODUCTS NWE prompt delivery CIF (tonne)		
Premium Gasoline ‡	$117-119	-1
Gas Oil	$102-104	-2
Heavy Fuel Oil	$57-59	
Naphtha	$97-99	
Jet fuel	$111-113	-2
Diesel	$105-107	-3
■ NATURAL GAS (Pence/therm)		
Bacton (Mar)	9.28-9.33	-
Petroleum Argus. Tel. London (0171) 359 8792		
■ OTHER		
Gold (per troy oz)♣	$285.85	-1.10
Silver (per troy oz)♣	555.50c	-2.50
Platinum (per troy oz.)	$379 50	+1 50
Palladium (per troy oz.)	$351 00	-
Copper	67.0c	
Lead (US prod.)	45 00c	
Tin (Kuala Lumpur)	19 90r	
Tin (New York)	258 5	
Cattle (live weight)	88 31p	-3 07*
Sheep (live weight)	85 73p	-2.72*
Pigs (live weight)†	59 49p	+6 00*
Lon. day sugar (raw)	$163.00	-10.80
Lon. day sugar (wte)	$243.10	+11.10
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	£109 00	
Wheat (US Dark North)	Unq	
Rubber (Mar)♥	45.50p	
Rubber (Apr)♥	46 00p	
Rubber (KL RSS No1)	258.50m	
Coconut Oil (Phil)§	705.0	
Palm Oil (Malay.)§	500.0y	
Copra (Phil)§	445 0z	-5.0
Soyabeans (US)	148.5y	
Cotton Outlook 'A' index	55.90	
Woottops (64s Super)	292p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. z Mar/Apr. y Mar. x Apr. ♥London Physical. § CIF Rotterdam. ♣ Bullion market close. * Change on week. †Based on 615 head of pigs sold. ‡ Unleaded Gasoline will replace Premium on March 16th.

CROSSWORD

No.9,927 Set by GRIFFIN



ACROSS

1, 5 Wander aimlessly after thwarting lollipop person (8,6)
9 Fence having trouble taking jewellery round (8)
10 When campaign starts some pitch tents (6)
11 Decoration round woolly stole no longer used (8)
12 To get back money sell most of shellfish (6)
14 Liquor a monarch is refusing (10)
18 Company after work taking time to build theatre (5,5)
22 Round head I admitted it's inducing sleep (6)
23 Unmarried men having sex to breed (8)
24 On advice boxer hides inside insulated container (6)
25 Is one with inflamed back subject to scorn? (8)
26 Compass once used when camping (6)
27 Rider needing change said why to old music-maker (8)

DOWN

1, 15 Boxer in mood can upset killer (6,8)
2 Loose top is removed – holding it up is useless (6)
3 Protect student thrown outside (6)
4 Agent found ingrate too troublesome (10)
6 Declare girl's put on little weight (8)
7 College principal's position ends with a hip replacement (8)
8, 21 Swimming pool bar deny Ann needed a drink (8,6)
13 Overtakes many leaving N. Germany taking people on board (10)
15 See 1 down
16 Hire US soldier to take me inside army unit (8)
17 What turns inside a siren may (8)
19 Play in episodes from Israel, perhaps (6)
20 Now motorway anger gains respect (6)
21 See 8 down

Solution to Saturday's prize puzzle on Saturday March 13.
Solution to yesterday's prize puzzle on Monday March 15.

For solutions to today's crossword call 0906 8430060.
Calls cost 60p a minute.

FT MANAGED FUNDS SERVICE

Offshore Funds

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (FSA RECOGNISED)

Fidelity Currency Funds Ltd

Jupiter Asset Management (Bermuda) Ltd

Newport Investment Management

Orion Fund Limited

BERMUDA (REGULATED)(**)

MFS Meridian Funds - Contd.

Marshall Wace Asset Management Limited

Masters International Advisors

Montgomery Emerging Markets Fund Ltd

Morgan Stanley Offs Advisory Mortgage Fd Inc

National Investment Trust Company Ltd

North Atlantic Management Co Ltd

Olympus Capital Management Ltd

Omega Overseas Partners Ltd

Opportunity Fund (z)

Orion Capital Advisors Ltd

Royal Bk of Canada O/S Fd Mgrs Ltd

Sarasin Funds Mngmt (Guernsey) Ltd

Schroder Investment Mngmt (Guernsey) Ltd

CAYMAN ISLANDS (REGULATED)(**)

GUERNSEY (REGULATED)(**)

GUERNSEY (FSA RECOGNISED)

IRELAND (FSA RECOGNISED)

Bank of Cyprus Group

The Halal Mutual Investment Company Plc

Baring Intl Fd Mngrs (Ireland) Ltd

Henderson Crosthwaite Investment Co

Herald Investment Fund Plc

IRELAND (REGULATED)(**)

ISLE OF MAN (FSA RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (FSA RECOGNISED)

FT MANAGED FUNDS SERVICE

Offshore Funds and Insurances

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

Barclays International Funds - Contd.

Gartmore Fund Managers Intl Ltd (z)
PO Box 278, 45 La Motte St, Jersey 01534 806688

Hill Samuel Fund Mgrs (Jsy) Ltd (1000)F
PO Box 957, New Street, St Helier, Jersey 01534 604814

Lloyds Bank (CI) U/T Mgrs.
PO Box 311, St Helier, Jersey 01534 284242

Lloyds TSB Fund Managers (CI) Ltd
PO Box 538, St Helier, Jersey 01534 503002

Newton Fund Managers (CI) Ltd

Northgate Unit Tst. Mngr. (Jersey) Ltd
Pacific Fund Feb 24 £29.98 31.76

Royal Bank of Scotland Fund Managers (CI) Ltd

Royal Bk of Scotland Fd Mngrs (Jersey) Ltd

SG Hambros Fund Managers (Jersey) Ltd

Standard Bank Fund Mgmt (Jersey) Ltd

WMB Asset Management (Jersey) Ltd

Worldinvest (Managers) Jersey Ltd

LUXEMBOURG (FSA RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (REGULATED)(**)

OFFSHORE INSURANCES

FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OTHER OFFSHORE FUNDS

	Selling Price	Buying Price	+ or -	Yield Gross
AEB Global Trading Investments Ltd				
American Express Currency Fd	$952.25		—	—
AXA Investment Managers Hong Kong Ltd				
AXA Investment Managers Paris				
Aberdeen Asset Management Asia Limited				
Aberdeen India Fund Limited				
India Growth Portfolio	£9.44	10.05	—	—
Ability Fund Limited				
Access Investment Management (HK) Ltd				
Access PCP Funds				
Acciones y Valores de Mexico SA de CV				
Acuma Capital Management Limited				
Advanced Asset Management Ltd				
Advanced Asset Mngmt Ltd	$984.77		—	—
Alexandra Global Investment Fund I, Ltd				
Class A Common Shares	$18.07			
Class B Common Shares	$18.07			
Alliance Investment Holdings N.V.				
Crystal Corporation N.V.				
Crystal Fund Managers (Bermuda) Ltd				
Crystal Fund Ltd				
Crystal I Jan 31	67.91	8.33	—	0.00
Colress Global Management Limited				
The Egan Fund (OEIC) Jan 29	$1005.03		—	—
DWS Deutsche Ges. F. Wertpapiersp				
Daehan Investment Trust Co Ltd				
Daiwa Intl Capital Management (H.K.) Ltd				
Darier Hentsch Fund Management SA				
Delta Managed Funds Limited				
Hermes (OEIC)	$107.18		—	—
Deltec Panamerica Trust Company Ltd				

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125 STOCK MARKETS IS ANOTHER.

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STATE STREET

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● MANAGED FUNDS NOTES

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES
[illegible]

BANKS, RETAIL
[illegible]

BREWERIES, PUBS & REST
[illegible]

BUILDING MATS. & MERCHANTS
[illegible]

CHEMICALS
[illegible]

CONSTRUCTION
[illegible]

CONSTRUCTION - Continued
[illegible]

DISTRIBUTORS
[illegible]

DIVERSIFIED INDUSTRIALS
[illegible]

ELECTRICITY
[illegible]

ELECTRONIC & ELECTRICAL EQPT
[illegible]

ENGINEERING
[illegible]

ENGINEERING - Continued
[illegible]

ENGINEERING, VEHICLES
[illegible]

EXTRACTIVE INDUSTRIES
[illegible]

FOOD PRODUCERS
[illegible]

FOOD PRODUCERS - Continued
[illegible]

GAS DISTRIBUTION
[illegible]

HEALTH CARE
[illegible]

HEALTH CARE - Continued
[illegible]

HOUSEHOLD GOODS & TEXT
[illegible]

INSURANCE
[illegible]

INSURANCE - Continued
[illegible]

INVESTMENT TRUSTS
[illegible]

INVESTMENT TRUSTS - Continued
[illegible]

INV TRUSTS SPLIT CAPITAL
[illegible]

هكذا من الأصل

LONDON SHARE SERVICE

OTHER INVESTMENT TRUSTS

The following investment trusts are not eligible for inclusion in the FTSE Actuaries Share Indices.

Net asset values supplied by Lipper as a guide only. See guide to London Share Service

INVESTMENT COMPANIES

Net asset values supplied by Lipper as a guide only. See guide to London Share Service

LEISURE & HOTELS

LIFE ASSURANCE

MEDIA

MEDIA - Continued

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

PROPERTY

PROPERTY - Continued

	Notes	Price	+ or -	52 week high	52 week low	Volume '000s	Yld Gr's	P/E
Brixton Est.	♣v	188½xd	+1	282½	159½	530	5.8	13.9
Burford	♣†	92	---	132	79½	608	3.3	38.9
CLS	♣†	108	---	149	93	–	6.8	13.4
CMC Props	♣†	75½	---	*99½	75½	–	5.6	7.3
Cap & Reg	♣v	228½xd	---	*318¼	154½	41	2.1	ϕ
6 3¼pc Dis Ln '08/16		118½	-½	164½	102½	–	5.7	–
Capital Shop Centres	♣v	388½xd	-1	460	313½	211	2.9	34.9
6¼pc Sub Cnv Bd 2006		£119	---	£135¼	£104¼	–	5.3	–
Cardiff	♣v	283½xd	-½	285½	241½	–	1.3	50.5
Cathay Intl		3¼	---	10¼	3	102	–	74.9
Chelsfield	♣†	271	-½	419	232½	80	1.6	32.8
Chesterfield		427½	+2½	607½	367½	–	3.9	42.8
5¼pc Cv Cm Pf		86xd	+½	104	73½	–	7.6	–
Chesterton Intl	♣	18	---	38	14½	22	–	7.5
City North Group	R	122½	---	166½	88½	–	2.2	30.7
Cleveland Trust	♣v	105½xd	-5	118½	72	–	6.9	17.5
Compco	♣†	212½	---	264½	184½	–	2.8	15.4
Creston	♣	82½	---	100	69½	–	–	10.0
Criterion	♣	102½	---	*104½	70½	–	7.3	9.6
Daejan	♣v	1235xd	---	1710	1065	–	3.9	11.4
Debenham Tewson	♣†	82½	---	126½	60½	87	5.8	7.5
Delancey Ests		99	+2½	163½	77½	19	2.0	13.3
Warrants		31½	---	62½	22½	–	–	–
Dencora	♣	187	---	232½	172½	–	3.3	11.5
6¼pc Cm Cv Rd Pf £1		128½	---	163½	125½	–	6.2	–
Derwent Valley	†	493	---	598	395	64	1.8	34.3
Development Secs	†	194	+9	*355	178½	289	2.0	3.2
Dunloe Ewart	♣	25	---	31½	19½	–	–	38.7
English & O'seas	♣†	79½	---	102½	58½	1	1.7	16.5

PROPERTY - Continued

	Notes	Price	+ or -	52 week high	52 week low	Volume '000s	Yld Gr's	P/E
Lon Merchant	♣	102	---	141½	101½	311	6.5	19.8
7¼pc Cnv '00/05		£113½	---	£141½	£105½	–	6.8	–
Dfd		72½	---	98	72½	–	–	–
London Secs		89	---	110	86	–	2.8	7.0
MEPC	N	470	+3	650	367	402	2.6	23.6
McAlpine Cap & Reg	♣	71½	---	119½	69½	538	6.6	5.5
Warrants		8½	---	15	7¼	–	–	–
7½pc Loan 2020		£97	+1	£99	£87½	–	7.7	–
McKay Secs	♣†	130xd	---	152	125	–	5.0	13.6
Marcole Moore	♣	71	---	97½	57½	–	4.4	5.2

RETAILERS, FOOD

RETAILERS, GENERAL

SUPPORT SERVICES

SUPPORT SERVICES - Continued

	Notes	Price	+ or -	52 week high	52 week low	Volume '000s	Yld Gr's	P/E
Ifon	♣‡	81½	-3½	201	42½	111	7.7	10.5
JBA	♣	122	-11½	740	50	252	5.2	27.7
Johnson Service	†	280½	---	330	180	6	5.7	9.7
Kalamazoo Compt	♣	37½	-1½	63½	30½	–	–	–
Kewill Syst	♣v	1637½xd	---	1650	692½	–	0.8	34.9
Laser-Scan		17	+3½	24½	11	48	–	–
Latchways	♣†	378½xd	+2½	378½	187	–	2.2	27.0
Lavendon	♣†	249	---	581	222½	71	2.1	15.1
Logica	♣†	639	-2	*687½	281	324	0.5	62.1
London Bridge Software	♣v	1820	+30	1820	740	48	0.3	ϕ

TELECOMMUNICATIONS

TOBACCO

TRANSPORT

TRANSPORT - Continued

WATER

AMERICANS

CANADIANS

SOUTH AFRICANS

TRADED INDEX SECURITIES

AIM

Alternative Investment Market

The Alternative Investment Market, designed primarily for small companies, is regulated by the London Stock Exchange but has less demanding rules than the Official list.

AIM - Continued

	Notes	Price	+ or -	52 week high	52 week low	Volume '000s	Yld Gr's	P/E
VI		15½	---	59½	14½	–	–	14.7
Victory Corpn	♣	6¾	+¼	31½	6	–	–	–
Virtual Internet		155	-7½	341½	155	–	–	–
WMI	ϕ	32½	---	85½	29½	–	–	31.9
Weather Action		49½	---	97½	49½	–	–	–
Weeks Group	♣	2	---	4½	2	–	8.9	8.7
West 175 Ents	♣	43½	---	87	42	–	–	–
West Bromwich Albion		£105	---	£145	£95	–	–	12.1
Western Select	♣Z	8¼	---	13	7¾	–	3.8	27.4
Westmount Energy	♣	17½	---	308	17½	–	–	ϕ
Willington	♣	70	---	85	70	–	8.6	2.9
Winchester		83½	-1½	85	55½	–	–	43.7
World Telecom	ϕ	66	---	205	55	–	–	–
Xavier Computer		16	---	16	6	–	–	15.3
Yeoman		51½	---	84	51½	–	–	ϕ

GUIDE TO LONDON SHARE SERVICE

Prices and trading volumes for the London Share Service are delivered by Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. For FTSE 100 index constituents and reserves contained in the Trading Volume table on the LSE page, last trade prices at or prior to 4.30pm market close are shown, as these shares are now traded on the Stock Exchange Electronic Trading System ("SETS"). Highs and lows are based on intra-day mid-prices/last trades over a rolling 52 week period.

Trading Volumes are end of day accumulated totals. Dashes indicate that either no trade has taken place during the day or the data is not available for those particular securities. Volumes shown for foreign securities are based on London trading.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent (except where payment is due after 6/4/99 when no tax credit will be applied) and allow for the value of declared distribution and rights.

Estimated Net Asset Values (ENAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm +) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- * Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ϕ Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange
- ♣ Free annual/interim report available, see details below.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- \# Price at time of suspension
- . Indicated dividend yield after pending scrip and/or rights issue
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield, p/e based on earnings updated by latest interim statement
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
f Dividend/yield adjusted for complex case
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
4 Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings.
v Dividend/yield includes amount payable after 6/4/99
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1998-99.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1999.
K Yield based on prospectus or other official estimates for 1999
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1997-98.
N Dividend is paid in whole or part as a FID (Foreign Income Dividend)
P Dividend/yield adjusted for consolidation or share split.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xd ex capital distribution

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1570 a year for each security shown, subject to the Editor's discretion

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FT Cityline

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For Retail Price Index details call 0995 843 6005

The FT web site

London share prices are available throughout the trading day with a 20 minute delay from our web site, http://www.ft.com, which also has the closing share prices printed on these pages.

US and UK interest rate nerves unsettle equities

MARKET REPORT

By Steve Thompson, UK Stock Market Editor

The big institutions continued to shy away from leading UK stocks yesterday, preferring to wait for the outcome of the March meeting of the Bank of England's monetary policy committee.

That shyness did not include the market's second and third-ranking stocks, however, which made progress for the seventh consecutive session.

Widespread weakness across the blue chips was apparent from the outset and it was noticeable that sentiment deteriorated as the session wore on.

It hit rock bottom in mid-afternoon, coinciding with the worst of Wall Street during London hours; at that point the Dow Jones Industrial Average was down more than 70, reflecting the US market's unease over the day's economic news, which included a higher than expected purchasing managers' report.

The index came in at 52.4, compared with a consensus forecast of 50. The Dow then rallied strongly, however, trading almost level 90 minutes after London's close.

Global markets have become increasingly worried that the next move in US interest rates will be up, a factor that has driven US Treasury bond yields sharply higher over recent weeks.

And that shift in yields was evident, too, in London yesterday as weakness in short sterling was seen as a signal that UK interest rates would be left on hold after today's meeting of the monetary policy committee.

The UK economic news also tended to come out on the side of those favouring no change in rates.

The UK purchasing managers' survey of manufacturing in February showed an increase in the index to 45.5, compared with January's revised figure of 44.

And M0 narrow money supply in February, forecast to come in unchanged, grew by 0.1 per cent, while consumer credit of £1.38bn in January was well in excess of the expected £1bn.

At the close, the FTSE 100 index was 114.2 lower at 6,060.9, extending its loss over the past three sessions, and since its record close last Wednesday to 246.7, or 3.9 per cent.

The FTSE 250, on the other hand, moved up another 10.1 to 5,258.4, for a gain of 2 per cent or 104.5 points over the past seven sessions.

The mid-caps were boosted by more takeover action in stocks such as First Choice, the travel company which has attracted a number of takeover approaches, and Mirror Group, where the bid battle heated up again yesterday.

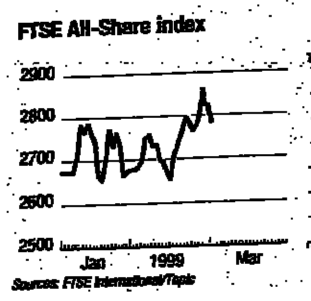
And the second-liners included other strong performers, such as Burmah Castrol, which joined the list of companies returning cash to shareholders.

Marketmakers said selling pressure yesterday was persistent, but never exceptionally heavy: "Everyone is looking for bear stories to get the market down ahead of next week's Budget," said one trader.

He added that as long as the interest rate outlook at home and in the US remained benign the market should hold up.

Turnover in equities was 916m by the 6pm count, with FTSE 100 stocks accounting for just over half the total.

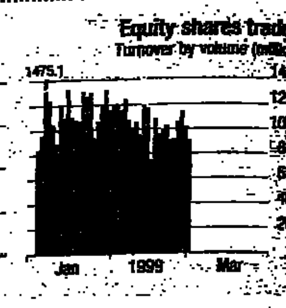
FTSE All-Share index



Sources: FTSE International/Topic

Equity shares traded

Turnover by volume (million)



Indices and ratios

FTSE 100	6060.9	−114.2
FTSE 250	5258.4	+10.1
FTSE 350	2878.6	−45.0
FTSE All-Share	2784.06	−41.33
FTSE All-Share yield	2.75	2.71

FT 30	3704.3	−56.0
FTSE Non-Fins p/e	23.87	24.21
FTSE 100 Fut Mar	6067.0	−73.0
10 yr Gilt yield	4.82	4.68
Long gilt/equity yld ratio	1.74	1.75

Best performing sectors

1. Electronic & Elect Equip ... +2.0
2. Tobacco ... +1.7
3. Paper: Pckg & Printing ... +1.4
4. Leisure & Hotels ... +1.2
5. Construction ... +1.1

Worst performing sectors

1. Pharmaceuticals ... −3.4
2. Oil: Integrated ... −3.3
3. Resources ... −2.9
4. Insurance ... −2.8
5. Life Assurance ... −2.3

GEC enjoys star day

COMPANIES REPORT

By Martin Brice and Joel Kibazo

The rapturous response to GEC refocusing on the higher-growth telecommunications market made the stock the star Footsie performer, rising almost 4 per cent on a day the index fell more than 100 points.

GEC said it was to pay $2.1bn for Reltec, a US designer and maker of telecommunications network products. The move ties in with the company's attempt to transform itself by moving away from the low-growth defence business, with the sale of its Marconi arm to British Aerospace.

One trader said: "They are moving progressively out of defence and into communications. GEC is doing what we hoped and doing it well. The stock was off about 10p ahead of the deal and then rose about 27p in a dirty day in the market. That's not bad." Volume in the stock was 12m as the shares closed up 18 at 516p. During the past few weeks, the shares have underperformed the Footsie by about 16 per cent.

However, one analyst cautioned that to stay ahead, GEC would have to spend more on research and development than on defence.

Telecommunications was the best performing sector last year and investor enthusiasm for the industry was highlighted not only by the strong rise in GEC as it moved into the sector, but the fall in BICC as it moved away from telecoms. It was down almost 6 per cent or 5 at 84½p after announcing the sale of its telecoms cabling business.

British Aerospace was a penny easier at 395½p amid trade of 8.8m, with concerns over the possible overhang of stock stemming from the acquisition of Marconi said to be affecting sentiment.

Elsewhere among engineers, figures from Mayflower were given a good reception but two large sell orders overhung the market and left the shares only slightly firmer at 155p.

Shares in Burmah Castrol jumped 44 to 859p, after it produced figures well ahead of market expectations.

The group reported pre exceptional profits of £245.9m against expectations of around £230m and dealers were cheered by news of a £280m share buy-back.

John Toalster at SG Securities said: "The group has emerged relatively unscathed from the troubles of the Asia-Pacific region and demonstrated its confidence in the future with a healthy 6 per cent increase in the dividend."

Deutsche Bank yesterday initiated coverage of the stock with an "outperform" recommendation saying, "We expect all the negatives to diminish in the mid to long term." The broker set a near-term share price target of £10.

However, Moody's Investors Service said it had downgraded its rating outlook for Burmah to negative from stable to reflect its view that the company "has substantially cut its financial flexibility at a time when its interest margins are becoming more competitive".

Leisure sector specialists were busy trying to hunt down the predator for First Choice after the UK tour operator yesterday confirmed rumours that it had received "preliminary" bid approaches.

The company did not name the possible suitors in its late afternoon announcement but analysts suggested there was the potential for a bid battle for the group developing.

Much of the speculation about the possible bidder was focused on German companies Preussag, the travel and industrial group, and Neckermann.

However, one analyst also said: "We must not rule out Airtours taking another look at the situation. I am sure they are watching events with interest."

Heavy turnover in the stock on Friday prompted the latest bid rumours. Yesterday the shares gave up some of their initial gains but still closed 24¼ or nearly 16 per cent up at 180p, in trade of 5.3m shares.

Jason Holden at BT Alex Brown believes: "Further consolidation in the sector is likely."

Thomson improves

News of a possible bidder for First Choice turned the spotlight on to other tourism-related stocks in the leisure sector. Thomson Travel shares improved 11¾ to 180½p while those of Airtours ended the day 18½ up at 495p.

Hays enjoyed a sparkling day as one of the best Footsie risers with a 3 per cent advance on the back of strong figures, but ran into a late bout of selling and ended the day off 5¼ at 589½p.

Volatility in the shares in recent months has stemmed largely from investor concerns over the performance of its personnel side, and they underperformed the market as fears grew that the UK economy would enter recession. However, they have outperformed by 27 per cent since October, as investor belief has grown that the economy would escape recession and enjoy a soft landing.

Geoff Allum, analyst at Henderson Crosthwaite, said: "We can see business confidence beginning to improve, and it is probably right to assume Hays can maintain the profitability of its personnel side."

Yesterday's good interim figures prompted him to increase his forecast for the year from £220m to £236m, although he rates the shares a "hold" as they have enjoyed a strong run recently.

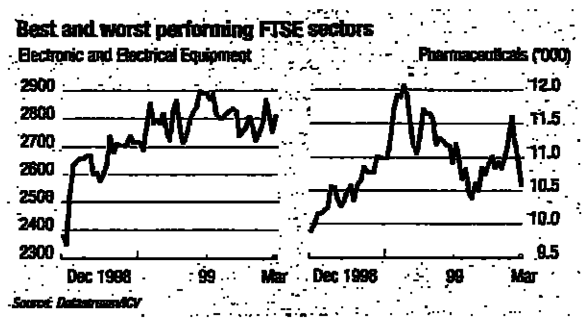
Trading in South African Breweries, the world's fourth largest brewing group, got off to a flying start as conditional dealings in the stock began on the London market yesterday. The company set its placing price in new shares at 428p after a book-building exercise that closed on Friday.

Fears of a poor start to trading following negative sentiment in certain quarters of the market and in the press proved unfounded when the stock hit 480p in the first half of the session. Later, the poor market trend and some profit-taking saw the shares close at 447p.

With the group valued at more than £3.4bn, fans of the stock are hoping it will be admitted to the premier FTSE 100 index after next week's quarterly review meeting of the UK indices committee.

Dialog gained 4¼ to 70½p as it announced it had been reclassified and would move from the publishing sector to the newly created internet sub-sector. It is likely to be the largest company in the sub-sector and one of the few expected to make a profit.

Best and worst performing FTSE sectors



Source: Datastream/Icv

FT 30 INDEX

	Mar 1	Feb 26	Feb 25	Feb 24	Feb 23	Yr ago	*High	*Low
FT 30	3704.3	3760.3	3771.4	3771.3	3722.9	N/A	4004.9	2790.6
Ord. div. yield	2.82	2.77	2.75	2.76	2.76	N/A	4.22	2.72
P/E ratio net	22.46	22.80	23.05	22.85	22.85	N/A	29.41	15.80
P/E ratio nil	22.40	22.83	22.98	22.78	22.78	N/A	29.39	15.71

FT 30 since compilation: high 4004.9 7/1/99; low 49.4 26/6/40. Base Date 1/7/35.

FT 30 hourly changes

8	9	10	11	12	13	14	15	16	High	Low
3760.3	3732.7	3724.0	3709.7	3731.5	3732.4	3731.8	3698.0	3764.4	3698.5	[illegible]

STOCK MARKET TRADING DATA

	Mar 1	Feb 26	Feb 25	Feb 24	Feb 23	Yr ago
SEAQ bargains	80,169	83,227	86,811	88,514	86,983	n/a
Equity turnover (£m)†	-	4248.0	3983.2	4076.2	3641.8	n/a
Equity bargains†	-	68,557	64,887	69,002	65,578	n/a
Shares traded (mil)†	-	981.8	887.3	914.3	835.9	n/a
Total market bargains‡	-	87,152	81,308	-	76,535	-
Total turnover (£m)‡	-	5694.5	5228.5	-	4745.0	-
Total shrs traded (mil)‡	81,365	1223.9	1141.8	-	1050.2	-
Tradepoint turnover (£m)	18.5	26.6	35.0	41.4	29.7	108.2
Tradepoint shrs traded(m)	7.2	10.8	13.1	13.1	12.2	22.9

†Excluding intra-market and overseas turnover but including Crest turnover. *UK only total at 6pm. ‡ UK plus intra-market turnover.

■ London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	618	Total Highs	52	Total contracts	26,604
Total Falls	940	Total Lows	45	Calls	1,690
Same	1,395			Puts	1,847

Mar 1 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FTSE 100 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	6180.0	6067.0	-91.0	6209.0	6025.0	25619	165879
Jun	6233.0	6105.5	-92.0	6233.0	6066.0	1266	28276
Sep		6150.0	-92.0			0	2278

■ FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar		5244.0	+10.0			0	2299
Jun		5253.0	+10.0			0	7237

■ FTSE 100 INDEX OPTION (LIFFE) (*6061) £10 per full index point — Mar 1

	5900 C	5900 P	5950 C	5950 P	6000 C	6000 P	6050 C	6050 P	6100 C	6100 P	6150 C	6150 P	6200 C	6200 P	6250 C	6250 P
Mar	272	95½	232½	111	205½	130½	172½	151	138	169½	108½	200	89½	230	70	261
Apr	363	176	332	198	301½	217	271	238	240½	259	218	280½	185	308½	163½	337½
May	447	252	416	271½	384½	291½	353½	312	322½	332½	292	353½	264½	379	242	403½
Jun	516	307½	483	326½	449	345½	414½	364½	385	383½	355	403	326	424½	304	451½
Dec†	869	533½			748½	570			693	607			628	644½		

Calls 1,690 Puts 1,847

■ EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point — Mar 1

	5875 C	5875 P	5925 C	5925 P	5975 C	5975 P	6025 C	6025 P	6075 C	6075 P	6125 C	6125 P	6175 C	6175 P	6225 C	6225 P
Mar	277	85½	241½	100	207	115½	176½	135	148½	158½	127	184½	103	210½	178½	235½
Apr	373	168½	349½	185½	385½	200	274	218½	245	239	220	263½	194½	288	179½	313½
May	458½	240½	426	258	395	277	365½	297½	337	319	310	342	284½	366½	289	392
Jun			490	312½			436	350½			372	391			319	436½
Sept			650	431½			588½	467			532½	508			492	554½

Calls 3,638 Puts 7,486 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1998/9 High	1998/9 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
-	F.P.	-	102½	101½	Acorn Income Fd	101½		-	-	-	-
-	F.P.	15.0	100	90	Close Bros Dev VCT	100		-	-	-	-
-	F.P.	60.1	103½	99¾	Enhanced Zero Tst	100¼		-	-	-	-
*	F.P.	38.2	7½	7	Gander Properties	7¼		-	-	-	-
§	F.P.	47.0	100½	94¾	Jupiter Enhanced	98½	+¼	-	-	-	-
§	F.P.	47.7	110	103¾	De Zero Div Prf	107½	-½	-	-	-	-
-	F.P.	-	360	255	Luminar Warrants	360	+37½	-	-	-	-
-	F.P.	5.87	109½	107½	†NBA Quantum	109¼		W-	-	-	112
-	F.P.	-	460	445	Sth African Brew	447		-	-	-	-

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1998/99 High	1998/99 Low	Stock	Closing price p	+or-
10	Nil	16/3	1¼pm	1½pm	Brascola	1¼pm	
78	Nil	10/3	25pm	18½pm	Peptide Therapics	21½pm	

pm premium.

FTSE GOLD MINES INDEX

	Feb 26	% chg on day	Feb 25	Year ago	Gross div yield %	Total return	52 week High	52 week Low
Gold Mines Index (29)	871.43	-1.4	883.75	1038.63	2.10	877.95	1351.57	701.56
■ Regional Indices								
Africa (9)	932.83	-0.4	936.54	1016.43	4.44	947.11	1488.04	765.63
Australasia (9)	1073.93	-2.4	1100.44	1286.31	2.78	1085.83	1600.53	815.93
Americas (11)	821.74	-1.6	834.97	1025.74	0.86	824.36	1317.41	647.69

 Figures in brackets show number of companies. Basis US Dollars. Base Value: 1000.00 31/12/92. † Partial. Latest prices were unavailable for this edition.

FTSE Actuaries Share Indices — The UK Series

Produced in conjunction with the Faculty and Institute of Actuaries

	£ Stg Mar 1	Day's chge%	Euro Index	£ Stg Feb 26	Year ago	Gross yield%	Net yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FTSE 100	6060.9	−1.8	6957.1	6175.1	5820.6	2.63	2.34	1.97	24.19	25.88	2694.85
FTSE 250	5258.4	+0.2	6035.9	5248.3	5254.6	3.17	2.76	2.12	18.66	12.89	2293.34
FTSE 250 ex Inv Tr	5290.1	+0.3	6072.3	5274.3	5288.9	3.29	2.90	2.20	17.30	12.80	2317.32
FTSE 350	2878.6	−1.5	3304.3	2923.6	2782.4	2.71	2.40	1.99	23.13	11.48	2615.55
FTSE 350 ex Inv Tr	2885.4	−1.5	3312.0	2930.8	2787.4	2.72	2.42	2.01	22.88	11.61	1344.82
FTSE 350 Higher Yield	2701.4	−1.5	3100.9	2743.7	2761.3	3.72	3.26	1.87	17.95	11.39	2108.88
FTSE 350 Lower Yield	3064.2	−1.5	3517.3	3111.9	2820.5	1.71	1.55	2.26	32.43	11.53	2252.11
FTSE SmallCap	2278.58	+0.1	2615.51	2277.33	2479.22	3.58	2.99	2.01	17.42	7.40	2019.19
FTSE SmallCap ex Inv Tr	2248.25	+0.1	2580.70	2245.51	2482.36	3.79	3.17	2.12	15.54	6.99	2014.68
FTSE All-Share	2784.06	−1.5	3195.73	2825.39	2707.81	2.75	2.43	1.99	22.77	11.01	2567.39
FTSE All-Share ex Inv Tr	2794.66	−1.5	3207.91	2836.68	2715.07	2.77	2.45	2.01	22.45	11.14	1326.09
FTSE Fledgling	1248.44	+0.4	1433.05	1243.56	1358.78	3.94	3.23	1.45	21.86	3.07	1409.38
FTSE Fledgling ex Inv Tr	1262.14	+0.5	1448.78	1256.24	1377.39	4.49	3.68	1.50	18.51	3.19	1432.92
FTSE All-Small	1292.18	+0.1	1483.25	1290.55	-	3.65	3.04	1.88	18.20	3.98	1461.54
FTSE All-Small ex Inv Tr	1300.08	+0.2	1492.30	1297.57	1422.83	3.93	3.27	1.98	16.06	3.89	1481.49
FTSE AIM	829.6	+0.7	952.3	823.5	1010.3	1.35	1.11	0.97	80.00†	0.80	772.25

■ FTSE Actuaries Industry Sectors

	£ Stg Mar 1	Day's chge%	Euro Index	£ Stg Feb 26	Year ago	Gross yield%	Net yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 RESOURCES(18)	3955.13	−2.9	4539.97	4074.05	4659.67	3.61	3.24	1.11	31.22	18.02	1854.01
12 Extractive Industries(6)	3046.96	−0.8	3497.51	3071.46	3264.42	4.52	4.14	1.92	14.40	3.75	984.12
15 Oil, Integrated(3)	4564.71	−3.3	5239.69	4718.33	5133.74	3.49	3.13	1.03	34.76	23.15	2201.13
18 Oil Exploration & Prod(9)	1374.98	+0.5	1578.30	1367.82	3488.26	4.05	3.54	0.17	80.00†	0.00	861.07
20 GEN INDUSTRIALS(198)	1858.01	+0.2	2132.75	1854.80	2124.90	3.73	3.36	2.32	14.44	7.10	1116.40
21 Construction(37)	1346.72	+1.1	1545.86	1331.64	1525.96	3.73	3.10	3.12	10.71	4.57	1226.02
22 Building Matls & Merchs(23)	1631.44	....	1872.68	1631.33	1852.62	4.58	4.05	2.16	12.65	0.33	910.22
23 Chemicals(20)	1870.37	−1.4	2146.94	1897.51	2789.99	4.86	4.80	1.99	12.93	18.70	982.08
24 Diversified Industrials(4)	1016.82	−0.4	1166.95	1020.77	1420.32	6.45	5.68	1.08	18.00	5.26	648.47
25 Electronic & Elect Equip(25)	2809.02	+2.0	3224.39	2753.78	2269.80	2.72	2.32	1.99	23.03	16.02	1583.47
26 Engineering(53)	2353.28	−0.3	2701.25	2359.58	2883.10	3.58	3.19	2.36	14.75	7.25	1554.06
27 Engineering, Vehicles(10)	4060.57	−0.3	4661.01	4071.61	3781.78	2.21	2.04	3.23	17.54	3.72	2264.61
28 Paper, Pckg & Printing(18)	1694.54	+1.4	1945.11	1671.81	2106.75	6.19	5.78	2.27	8.88	7.28	786.09
30 CONSUMER GOODS(81)	5924.98	−2.2	6801.10	6057.24	5651.52	2.28	2.13	2.01	27.39	25.73	2379.94
32 Alcoholic Beverages(5)	3727.54	−0.3	4278.73	3739.79	3616.54	3.32	3.08	2.13	17.71	0.34	1494.44
33 Food Producers(26)	3442.06	−1.2	3951.03	3484.83	3781.32	2.64	2.40	2.22	21.35	5.95	1690.11
34 Household Goods & Texts(13)	2221.95	−2.0	2550.51	2267.77	3345.35	4.57	4.18	1.93	14.19	5.05	956.26
36 Health Care(14)	2435.46	+0.6	2795.59	2421.64	2382.05	2.19	1.96	1.92	29.66	1.88	1574.12
37 Pharmaceuticals(20)	10579.31	−3.4	12143.67	10952.17	9648.09	1.67	1.61	1.81	41.48	71.49	3837.41
38 Tobacco(3)	7514.40	+1.7	8625.54	7387.72	5277.78	4.18	3.82	2.23	13.39	0.00	2141.14
40 SERVICES(281)	3935.85	−0.9	4517.84	3971.41	3193.48	2.17	1.81	2.09	27.59	6.76	2193.66
41 Distributors(25)	1911.49	+0.7	2194.14	1898.88	2683.60	4.88	4.12	2.06	12.44	1.93	768.27
42 Leisure & Hotels(31)	3857.64	+1.2	4428.06	3812.19	3624.26	2.28	2.11	2.92	18.78	20.58	2218.18
43 Media(45)	5320.71	−0.6	6107.48	5352.46	4306.01	1.91	1.68	2.13	30.77	6.53	2036.25
44 Retailers, Food(13)	2524.66	−1.8	2897.98	2572.09	2844.03	3.61	2.90	2.16	16.01	4.40	1743.97
45 Retailers, General(41)	2374.21	−1.1	2725.29	2400.12	2407.29	3.15	2.53	2.07	19.14	5.96	1473.03
46 Telecommunications(7)	6312.35	−1.4	7245.75	6404.86	3502.33	1.43	1.17	1.64	53.38	4.51	3113.90
47 Breweries, Pubs & Rest.(22)	3768.81	+0.3	4323.80	3755.68	3910.50	3.34	2.71	2.20	17.01	16.56	1963.75
48 Support Services(66)	5214.03	−0.6	5985.03	5246.29	4259.72	1.19	1.04	2.69	38.88	2.29	3457.36
49 Transport(29)	3583.32	−1.1	4113.18	3624.22	3178.97	2.91	2.48	1.98	21.71	9.73	1622.36
60 UTILITIES(20)	3935.76	−1.0	4517.74	3976.71	3723.13	4.03	3.47	2.06	15.06	7.85	1918.68
62 Electricity(7)	4453.29	−0.9	5111.79	4492.75	4188.11	4.53	3.69	1.71	16.10	1.11	2660.95
64 Gas Distribution(2)	3196.16	−1.5	3668.78	3243.89	2848.13	1.97	1.75	2.71	23.41	0.00	1863.05
68 Water(11)	3157.96	−0.8	3624.92	3184.82	3211.50	5.30	4.89	2.37	9.93	24.10	2005.70
69 NON-FINANCIALS(598)	2836.53	−1.3	3255.96	2875.30	2659.67	2.70	2.38	1.94	23.87	8.46	2347.80
70 FINANCIALS(120)	5352.20	−1.9	6143.63	5454.82	5766.61	2.97	2.68	2.21	19.02	37.60	2523.82
71 Banks, Retail(12)	8185.96	−2.0	9396.41	8352.05	8491.64	3.00	2.67	2.25	18.54	86.89	2932.91
73 Insurance(21)	2246.41	−2.6	2578.58	2306.36	2623.41	3.01	2.85	2.17	19.18	0.18	1883.69
74 Life Assurance(8)	6978.17	−2.3	8010.02	7142.06	7400.73	2.77	2.52	2.23	20.22	0.00	3145.72
77 Other Financial(31)	4087.97	−0.7	4692.46	4118.58	4462.86	2.65	2.26	2.48	19.07	8.78	2530.90
79 Property(48)	1835.08	+0.4	2106.43	1826.99	2400.98	3.39	2.90	1.69	21.83	3.79	1225.52
80 INVESTMENT TRUSTS(117)	3741.93	−0.8	4295.25	3771.08	3787.83	2.26	1.90	1.15	48.12	10.51	1380.35
89 FTSE All-Share(827)	2784.06	−1.5	3195.73	2825.39	2707.81	2.75	2.43	1.99	22.77	11.01	2567.39
105 FTSE All-Share ex Inv Tr(710)	2794.66	−1.5	3207.91	2836.68	2715.07	2.77	2.45	2.01	22.45	11.14	1326.09
Information Technology	1763.36	+0.5	2024.10	1755.07	1370.70	0.52	0.44	4.73	51.00	0.99	1773.64

■ Hourly movements

	9.03	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FTSE 100	6177.5	6141.8	6109.4	6095.6	6122.9	6118.7	6112.1	6061.4	6185.2	6032.7
FTSE 250	5254.0	5253.5	5261.0	5256.0	5259.6	5260.2	5263.2	5261.4	5367.1	5249.7
FTSE 350	2925.0	2910.7	2898.3	2892.4	2903.6	2902.0	2899.6	2879.1	2928.3	2868.3
FTSE SmallCap	2279.68	2279.26	2279.88	2279.19	2279.30	2279.12	2279.07	2278.54	2280.49	2278.45
FTSE All-Share	2826.85	2813.80	2802.27	2796.75	2807.10	2805.99	2803.40	2784.50	2829.83	2774.52

Time of FTSE 100 Day's high: 9:16:45 Day's low: 15.43.45. FTSE 100 1998/99 High: 6307.8 (24/02/99) Low: 4648.7 (05/10/98)
Time of FTSE All-Share Day's high: 9:17:00 Day's low: 15.44:00. FTSE All-Share 1998/99 High: 2885.20 (20/07/98) Low: 2165.07 (05/10/98)

Further information is available on http://www.ftse.com.

 † Sector P/E ratios greater than 80 are not shown. ‡ Values are negative. Name Change: Vaux Group is now Swallow Group.

FTSE INTERNATIONAL

TRADING VOLUME

■ Major Stocks yesterday.

[illegible]

Based on trading volume for the FTSE 100 constituent companies and reserve [illegible]. † Indicates a FTSE 100 index member. [illegible]

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE (EMU) Prices in €

AUSTRIA (Mar 1 / 1 € = 13.76030 Sch)

BELGIUM/LUX (Mar 1 / 1 € = 40.33990 Frs.)

FINLAND (Mar 1 / 1 € = 5.94573 Mka)

FRANCE (Mar 1 / 1 € = 6.55957 Frs.)

GERMANY (Mar 1 / 1 € = 1.95583 Dm.)

IRELAND (Mar 1 / 1 € = 0.78756 Punt)

ITALY (Mar 1 / 1 € = 1936.27000 Lire)

NETHERLANDS (Mar 1 / 1 € = 2.20371 Fl.)

PORTUGAL (Mar 1 / 1 € = 200.48200 Esc.)

SPAIN (Mar 1 / 1 € = 166.38600 Pts.)

EUROPE (NON-EMU)

CZECH REP (Mar 1 / Koruna)

DENMARK (Mar 1 / Kr)

GREECE (Mar 1 / Drachma)

NORWAY (Mar 1 / Kroner)

POLAND (Mar 1 / Zloty)

SWEDEN (Mar 1 / Kronor)

SWITZERLAND (Mar 1 / Frs.)

TURKEY (Mar 1 / TL Lira)

PACIFIC

JAPAN (Mar 1 / Yen)

AUSTRALIA (Mar 1 / Aust$)

HONG KONG (Mar 1 / H.K.$)

INDONESIA (Mar 1 / Rupiah)

MALAYSIA (Mar 1 / MYR)

NEW ZEALAND (Mar 1 / NZ $)

SINGAPORE (Mar 1 / S$)

SOUTH KOREA (Feb 26 / Won)

TAIWAN (Mar 1 / TW $)

THAILAND (Feb 26 / Baht)

MONTREAL (Mar 1 / Can $)

MEXICO (Mar 1 / Peso)

AFRICA

SOUTH AFRICA (Mar 1 / Rand)

AMERICAS

CANADA

TORONTO (Mar 1 / Can $)

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	FRIDAY FEBRUARY 26 1999 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	Euro Index	Local Currency Index	Local % chg on day	Gross Div. Yield	THURSDAY FEBRUARY 25 1999 US Dollar Index	Pound Sterling Index	Yen Index	Euro Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (75)	204.80	-1.9	189.53	153.60	214.84	219.36	-1.1	3.36	208.70	192.92	158.44	217.47	221.79	219.96	163.86	210.37
Austria (21)	182.51	-0.9	168.90	136.88	168.94	168.94	-0.2	1.97	184.21	170.28	139.85	169.37	169.37	253.73	165.27	205.27
Belgium (22)	386.11	-2.0	357.32	289.58	349.93	349.93	-1.3	1.93	393.83	364.05	298.98	354.53	354.53	446.95	279.30	285.31
Brazil (29)	97.27	0.4	90.01	72.95	102.04	371.51	2.1	6.25	96.88	89.56	73.55	100.95	363.80	269.34	89.32	237.87
Canada (113)	199.75	-0.1	184.86	149.81	209.55	218.34	0.2	1.81	200.03	184.91	151.86	208.43	217.85	248.78	159.94	228.04
Denmark (34)	446.55	-0.6	413.25	334.92	468.45	411.33	0.1	1.75	449.22	415.25	341.03	468.09	411.02	537.33	420.12	459.54
Finland (29)	603.60	-1.9	558.58	452.70	666.13	686.13	-1.2	1.65	615.01	568.51	466.89	694.43	694.43	661.25	338.49	350.68
France (74)	312.30	-2.4	289.01	234.23	292.74	292.74	-1.8	2.10	320.09	295.88	243.00	298.03	298.03	354.45	253.86	264.54
Germany (55)	255.46	-1.6	236.41	191.60	236.64	236.64	-1.0	1.40	259.67	240.03	197.13	238.92	238.92	325.61	226.35	251.89
Greece (36)	408.84	-0.4	378.35	306.63	428.88	858.99	0.0	0.99	410.65	379.80	311.75	427.90	858.98	429.65	211.47	–
Hong Kong, China (66)	284.26	2.0	263.06	213.20	293.20	282.76	2.0	4.32	278.85	257.58	211.54	290.35	277.22	362.55	196.64	354.30
Indonesia (24)	48.43	-0.2	44.82	36.33	50.81	262.59	0.4	1.17	48.54	44.87	36.85	50.58	261.59	64.52	19.04	48.46
Ireland (14)	542.14	0.2	501.71	406.61	548.08	548.08	0.9	1.83	541.12	500.21	410.80	543.39	543.39	605.85	396.15	489.07
Italy (53)	166.27	-0.8	153.87	124.70	219.03	219.03	-0.1	1.48	167.62	154.95	127.25	219.34	219.34	192.84	128.68	136.15
Japan (445)	98.50	0.8	91.16	73.88	103.33	73.88	-0.5	1.01	97.75	90.36	74.21	101.86	74.21	107.62	76.83	101.80
Mexico (29)	1233.04	-0.7	1141.09	924.78	1293.50	13420.79	-0.9	1.91	1241.09	1147.24	942.18	1293.21	13540.78	1733.73	787.15	1581.81
Netherlands (26)	489.02	-0.4	452.56	366.77	448.09	448.09	0.3	2.14	490.93	453.81	372.70	446.82	446.82	562.73	394.92	456.71
New Zealand (18)	64.36	0.5	59.56	48.27	67.52	65.21	0.9	4.32	64.06	59.22	48.63	66.75	64.82	77.84	45.68	75.61
Norway (37)	220.80	-0.6	204.33	165.60	231.62	237.25	-0.1	2.12	222.03	205.25	168.56	231.36	237.42	357.71	181.86	305.19
Philippines (22)	86.60	1.6	80.14	64.95	90.85	168.10	1.3	0.97	85.28	78.83	64.74	88.86	165.96	106.98	42.48	93.50
Portugal (18)	244.65	0.2	226.41	183.49	305.84	305.84	0.9	1.07	244.09	225.63	185.30	303.09	303.09	299.39	194.13	–
Singapore (40)	204.50	0.2	189.25	153.38	214.53	162.28	0.0	1.72	204.13	188.70	154.97	212.71	162.34	246.74	102.45	224.59
South Africa (35)	190.75	-0.9	176.52	143.06	200.10	258.28	-0.6	3.55	192.51	177.96	146.15	200.60	259.93	346.20	151.55	280.17
Spain (30)	381.40	-1.1	352.96	286.05	437.96	437.96	-0.5	1.56	385.70	356.54	292.81	439.94	439.94	435.19	290.81	327.67
Sweden (43)	516.68	-1.2	478.15	387.51	542.01	628.12	-0.2	1.95	523.14	483.58	397.15	545.11	629.16	628.19	379.18	519.89
Switzerland (30)	391.41	-1.0	362.22	293.56	410.60	351.64	-0.5	1.21	395.39	365.50	300.17	412.00	353.23	441.65	307.73	384.36
Thailand (31)	21.75	3.0	20.13	16.31	22.81	31.50	2.5	2.86	21.12	19.53	16.04	22.01	30.74	33.84	8.15	32.13
United Kingdom (201)	384.21	-0.5	355.56	288.16	403.05	355.56	-0.4	2.71	386.08	356.88	293.10	402.29	356.88	401.84	307.86	369.35
USA (613)	510.76	-0.6	472.67	383.07	535.81	510.76	-0.6	1.29	513.66	474.82	389.95	535.24	513.66	527.72	390.12	428.18
Americas (784)	452.78	-0.6	419.01	339.53	474.98	384.57	-0.5	1.33	455.27	420.84	345.62	474.39	386.61	467.90	347.59	387.89
Europe (723)	349.18	-1.0	323.14	261.89	366.30	332.74	-0.6	2.03	352.86	326.18	267.88	367.68	334.63	386.24	282.63	323.10
Eurobloc (342)	99.20	-1.4	91.80	74.40	99.45	99.45	-0.8	1.75	100.64	93.03	76.41	100.23	100.23	113.92	81.53	–
Nordic (143)	491.78	-1.3	455.11	368.84	515.90	515.05	-0.4	1.85	498.09	460.43	378.14	519.02	517.15	555.97	360.04	453.57
Pacific Basin (721)	105.90	0.6	98.00	79.42	111.09	82.12	-0.3	1.53	105.27	97.31	79.92	109.69	82.36	117.89	82.88	112.47
Euro-Pacific (1444)	207.01	-0.6	191.57	155.26	217.16	176.26	-0.5	1.89	208.20	192.46	158.06	218.95	177.12	221.79	166.00	200.31
North America (726)	489.64	-0.6	453.13	367.23	513.65	490.55	-0.5	1.31	492.35	455.12	373.78	513.03	493.20	506.43	374.82	415.40
Europe Ex. UK (522)	320.63	-1.3	296.72	240.47	336.35	311.83	-0.7	1.68	324.95	300.38	246.69	338.60	313.90	366.32	260.93	290.83
Europe Ex. Eurobloc (381)	97.10	-0.6	89.86	72.82	101.86	99.70	-0.3	2.31	97.73	90.34	74.19	101.83	100.05	103.93	77.40	–
Europe Ex. UK Ex. Eurobloc (180)	95.41	-1.0	88.29	71.55	100.08	95.47	-0.3	1.44	96.36	89.07	73.15	100.41	95.77	109.21	75.16	–
Pacific Ex. Japan (276)	177.98	0.0	164.71	133.48	186.70	183.72	0.3	3.57	178.05	164.58	135.17	185.53	183.14	216.04	128.26	208.76
World Ex. Eurobloc (1921)	104.92	-0.4	97.09	78.69	110.06	104.47	-0.5	1.55	105.33	97.37	79.97	109.76	104.96	108.05	83.09	–
World Ex. US (1650)	206.19	-0.6	190.81	154.64	216.30	181.04	-0.5	1.92	207.34	191.66	157.41	216.05	181.86	221.91	165.95	203.71
World Ex. UK (2062)	296.71	-0.6	274.58	222.53	311.25	268.55	-0.5	1.45	298.40	275.84	226.54	310.94	269.97	311.48	236.11	267.20
World Ex. Japan (1818)	406.57	-0.7	376.25	304.93	426.51	402.41	-0.5	1.64	409.?5	378.50	310.85	426.66	404.50	427.99	320.58	362.80
The World Index (2263)	304.24	-0.6	261.55	228.18	319.15	276.47	-0.5	1.58	305.95	282.82	232.27	318.80	277.89	318.51	242.36	275.84

Emerging markets:

IFC investable indices

Dollar terms

Feb 26 Market		Day's chg %	% Chg since 31/12/98
Latin America			
Argentina	737.43	+1.6	-7.5
Brazil	205.54	+0.6	-25.3
Chile	461.56	-1.7	+2.3
Colombia[1]	359.26	+0.1	-18.2
Mexico	519.19	-0.6	+7.8
Peru[2]	136.35	+0.1	+1.5
Venezuela[3]	350.23	+0.9	-22.7
East Asia			
China[4]	23.05	+3.6	-12.0
India[1]	67.78	-1.6	+5.6
Indonesia[6]	22.50	-1.0	-7.1
Korea[3]	47.49	+4.2	-10.4
Malaysia	84.09	-1.1	-5.0
Pakistan[6]	86.15	-0.2	-8.9
Philippines	119.06	+1.6	-3.3
Sri Lanka[9]	70.82	-0.4	-14.0
Taiwan, China[5]	115.76	+0.9	-0.0
Thailand	58.09	+3.4	-8.0
Europe			
Czech Rep	38.31	-2.4	-24.5
Greece	733.82	-0.1	+18.5
Hungary[11]	250.67	+1.1	-10.7
Poland[12]	467.97	-2.7	-10.6
Portugal	277.03	-0.0	-5.1
Russia	30.58	+0.8	+30.4
Slovakia	38.53	-0.6	-11.6
Turkey[14]	200.71	+3.0	+37.2
Mideast/Africa			
Egypt	75.38		+16.9
Israel	108.77	+0.1	+6.4
Jordan	234.29	-0.2	+8.2
Morocco	168.60	-0.5	+0.6
S Africa[15]	131.73	-0.8	+5.2
Zimbabwe[16]	112.35	+1.3	+6.7
Regions			
Composite	184.77	+0.5	-1.1
Latin America	389.95	-0.1	-7.1
Asia	101.14	+2.0	-5.5
EMEA	123.04	-0.0	+7.7
Europe	163.8?	+0.4	+9.4
Eastn Europe	55.47	-0.4	-4.8
ME & Africa	56.66	-0.6	+5.7
Comp + Malay	186.97	+0.4	-1.9
Asia + Malay	102.25	+1.3	-5.4

Base date Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 5 1990; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; (7)Nov 6 1992; (8)Sep 29 1995; (9)Mar 1 1991; (10) Dec 31 1992; (11)Dec 31 1993; (12)Dec 31 1992; (13)Dec 31 1992; (14)Dec 31 1995; (15)Aug 2 1993; (16) July 2 1993.
Latest indices were unavailable for this edition.

NEW YORK STOCK EXCHANGE PRICES

4 pm close March 1

- A -

1998/99 High	Low	Stock	Div	Yld. %	P/E	Vol 100s	High	Low	Close Quote	Chng Prev. Close
32	14¾	AAR x	0.34	2.2	11	1806	15	15⅝	15	
53	28⅜	AMP x	1.08	2.0		5668	53	52	52	
89⅝	45	AMR			7	11155	57½	55¼	55	
28⅝	13⅝	ASA x	0.60	3.8	10	136	15	15	15	
50	32½	AbbtL	0.60	1.3	32	15837	46	45	45	-½
16	7⅝	AbtlbI	0.40	5.0	4	198	8	7	8	
37	25	ABM Ind	0.56	1.9	18	287	29¾	28	29	
25	16	Acptncpte			8	333	17	16¾	16	
43	24⅝	ACE Ltd	0.36	1.3	7	2800	27	27	27	
11½	7⅝	ACM Gvt In	0.90	10.1	9	430	9	8¾	8	
8	7⅝	ACM GvOpp	0.63	8.5		77	7	7	7	
10	7⅝	ACM Man	1.02	11.5		201	8¾	8	8¾	
9	3½	Acme Elect			8	4	4	4	4	
10⅝		Acme Mills				20				
29⅝	19⅝	ACNielsen			28	946	28	25	25	
20	12	Acuson			27	798	15	15	15	
28¼	21	Adams Exp x	0.55	2.1	1	221	26	25	26	
33	12¾	AdvMic				18436	18	18	18	
33¾	14⅛	Advest Grp	0.16	0.8	8	148	20¼	18	20¼	
35⅝	19	Advo Inc			11	858	20	19⅝	19⅝	
139⅝	44	Aegon	0.78	0.7	47	485	104	102	102¼	-2⅝
19¾	8½	Aeriba				339	13	13	13	
72¼	22	Aero-V x	0.88	1.5	15	1897	56	56	56	
58	23	AES Corp			20	5313	36	35	36	
91	60	Aetna	0.80	1.1	12	5428	74½	72	74	
51¼	22⅝	AffCom			30	1532	47	46	47	
50½	22	Aflac x	0.38	0.6	25	7880	46½	44	46	
30⅝	5¾	AGCO x	0.04	0.6	6	2375	6	6	6	
23⅝	17	AGL Res x	1.08	5.8	15	1470	19	19	19	
45⅝	29	AirPrC	0.68	2.2	13	10778	32¼	30	31⅝	-½
47⅝	14½	Airbae Frt x	0.16	0.4	34	7502	39	38	39	

- B -

1998/99 High	Low	Stock	Div	Yld. %	P/E	Vol 100s	High	Low	Close Quote	Chng Prev. Close
71	49	BrsFrmA	1.18	2.0	21	25	60¾	59½	60	
77¼	51¼	BrsFrmB	1.18	1.9	23	620	65⅞	64	65	
38⅝	26⅛	BrFerr	0.76	2.4	15	4473	31	31	31	
8⅝	5	BRT			4	30	6	6	6	
35	12	Brnswk x	0.50	2.4	11	2435	21	20	20	
30	10	Brush Well	0.48	3.3		201	14⅝	14¼	14	
31	25⅞	Buckeye Pt x	2.10	8.1	13	179	26	25	26	
25⅝	11⅛	BuckeyeTch			9	467	13	12	13	
20	6⅝	BunlADR				93	13	13	13	
28	12⅝	Burl Coat	0.02	0.2	11	1039	13⅝	12	13	
39	26⅞	BurlN	0.48	1.5	13	22026	33⅝	32	32	
49½	29	BurlRs	0.55	1.7	68	4992	32	31	32	
15¾	10	BrnsmRt	1.05	10.2	23	354	10¼	10	10	
35	25	BushBoake			18	63	32	31	31	
37	20	ButlerMfg	0.56	2.5	4	90	22	22	22	

- E -

1998/99 High	Low	Stock	Div	Yld. %	P/E	Vol 100s	High	Low	Close Quote	Chng Prev. Close
88	57	EKodak x	1.76	2.7	15	13142	65	63	65	
98⅝	57½	Eaton	1.76	2.6	13	2209	69	67	68	
41⅝	26⅝	Ecolab	0.42	1.1	34	2313	37	37	38	
27	25⅛	EdisonInt	1.04	4.1	13	7342	25	25	25	
49	27⅝	EdwardAG	0.60	1.8	11	2605	34	33	33	
8⅝	2	Elco Group				722	3¼	3	3	
79	45⅝	Elan ADR				5032	76	76¼	76	
39⅝	19	Elcor Corp	0.28	0.9	17	252	31	31	31	
54	30	EDS x	0.60	1.3	20	19523	46	45	45¾	
74½	48	EMerid	1.05	2.6	25	2215	52	51⅝	52	
13	6⅝	Elsciwr				2904	13	12	12	
109⅞	26	EMC			62	35029	102	99	99	
16	9	EmgGerma	0.09	0.9		62	12	12	12	
67	54	EmrsEl x	1.30	2.3	22	9973	57	56	57	
26	18⅝	EmpDstr x	1.29	5.6	15	216	23	22	23	

- Z -

1998/99 High	Low	Stock	Div	Yld. %	P/E	Vol 100s	High	Low	Close Quote	Chng Prev. Close
24	6⅝	Zapata			3	1383	10⅝	9	9⅝	
50	31	Zeneca	0.90	2.0	32	2292	40	40	40	
30½	20	Zenith Nat	1.00	4.2	18	358	23	22	23	
7	5	Zimo Inc x	0.70	11.5		77	6	6	6	
14	6⅝	ZweigFdk	1.08	10.6		479	10	10	10	
9	8	Zweig Tot	0.84	10.2		814	8	8	8	

Price data supplied by Financial Times Information.

Yearly highs and lows for NYSE reflect the period from Jan 1 1998. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Volume figures are unofficial.

d-new yearly low. P/E price-earnings ratio. vol- volume. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full. ‡ Dealings suspended.

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GLOBAL EQUITY MARKETS

US INDICES

Dow Jones	Feb 26	Feb 25	Feb 24	1998/99 High	1998/99 Low	Since compilation High	Since compilation Low
Industrials	9306.58	9366.34	9399.67	9643.32 (8/1/99)	7539.07 (31/8/98)	9643.32 (8/1/99)	41.22 (8/7/32)
Home Bonds	104.48	104.13	104.94	107.17 (9/12/98)	104.13 (25/2/99)	107.17 (9/12/98)	54.99 (1/10/81)
Transport	3207.43	3220.15	3249.60	3686.02 (16/4/98)	2345.00 (8/10/98)	3686.02 (16/4/98)	13.23 (8/7/32)
Utilities	283.87	294.11	297.44	320.51 (8/10/98)	262.66 (9/1/98)	320.51 (8/10/98)	16.53 (8/7/32)

DJ Ind. Day's high 9459.52(9446.32) Low 9177.54 (9200.27) (Theoretical♦)
Day's high 9398.40(9398.19) Low 9252.52 (9233.32) (Actual♦)

Standard and Poors	Feb 26	Feb 25	Feb 24	1998/99 High	1998/99 Low	Since compilation High	Since compilation Low
Composite‡	1238.33	1245.02	1253.41	1279.64 (29/1/99)	927.69 (9/1/98)	1279.64 (29/1/99)	4.40 (1/6/32)
Industrials♥	1488.10	1501.77	1512.98	1551.85 (29/1/99)	1077.40 (9/1/98)	1551.85 (29/1/99)	3.52 (30/6/32)
Financial♥	134.34	132.62	132.88	147.89 (14/7/98)	95.80 (8/10/98)	147.89 (14/7/98)	7.13 (4/9/74)
Others							
NYSE Comp.	586.46	587.43	591.57	611.86 (8/1/99)	477.20 (8/10/98)	611.86 (8/1/99)	4.64 (25/4/42)
Amex Comp	698.29	693.47	695.79	753.67 (22/4/98)	563.75 (8/10/98)	753.67 (22/4/98)	524.20 (16/7/96)
NASDAQ Cmp	2288.03	2326.82	2339.38	2510.09 (1/2/99)	1419.12 (8/10/98)	2510.09 (1/2/99)	54.87 (3/10/74)
Russell 2000	392.26	392.69	395.26	491.41 (21/4/98)	310.28 (8/10/98)	491.41 (21/4/98)	123.36 (7/12/93)

■ RATIOS

	Feb 26	Feb 19	Feb 12	Year ago
Dow Jones Ind. Div. Yield	1.67	1.66	1.66	1.63
	Feb 24	Feb 17	Feb 10	Year ago
S & P Ind. Div. yield	1.14	1.19	1.15	1.39
S & P Ind. P/E ratio	38.67	37.72	38.00	27.54

US DATA

■ MARKET ACTIVITY

● Volume (million)	Feb 26	Feb 25	Feb 24
NYSE	784.630	740.500	782.090
Amex	24.047	30.702	26.792
NASDAQ	904.833	864.626	937.421

NYSE	Feb 26	Feb 25	Feb 24
Issues Traded	3,520	3,550	3,541
Rises	1,445	1,052	1,207
Falls	1,495	1,957	1,766
Unchanged	580	541	568
New Highs	20	15	58
New Lows	104	136	87

■ NYSE TRADING ACTIVITY

Volume : 784,630,000

■ ACTIVE STOCKS

Friday	Stocks traded	Close price	Day's change
Compaq	55,549,600	35¼	-6⅛
MicrnTech	12,218,600	57⅝	-9⅜
AmOnLne	10,295,900	88⅛	+1¼
Citgrp	8,799,800	58¾	+1½
Seagte	8,035,400	28⅞	-1⅞
AT&T	8,020,400	82¼	-2⅛
LucentTch	7,112,100	101⅜	+⅛
IBM	6,281,300	170	-3⅞
Txinst	5,896,400	89⅜	-7⅛
PhMorr	5,287,000	39½	-1

■ BIGGEST MOVERS

Friday	Close price	Day's change	Day's chge %
Ups			
Navstr	43	+3⅞	+9.0
ReadDA	34	+2⅞	+9.0
Cons Store	25⅛	+1⅞	+8.3
AsFstC	40¾	+2⅝	+6.9
Downs			
Compaq	35¼	-6⅛	-14.9
Teradyne	47¾	-8¼	-14.8
MicrnTech	57⅝	-9⅜	-13.8
SteriCom	26	-3	-10.3

■ NASDAQ TRADING ACTIVITY

Volume :904,833,000

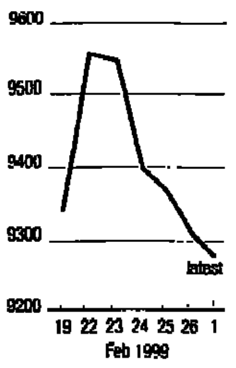
■ ACTIVE STOCKS

Friday	Stocks traded	Close price	Day's change
Intel	41,756,700	119⅞	-7⅞
DellComp	31,166,000	80⅛	-1⅝
AppMat	21,357,700	55⅛	-8½
Sthlst	15,818,100	40⅜	-½
VLSI Tech	15,816,300	15½	+4½
Micsft	14,782,200	150⅛	-3¾
CiscoSys	14,385,200	97⅞	-3
Novell	14,025,800	19⅛	-1⅛
Amz.com	12,661,600	128⅛	+3½
3Com	11,271,900	31⅜	-⅞

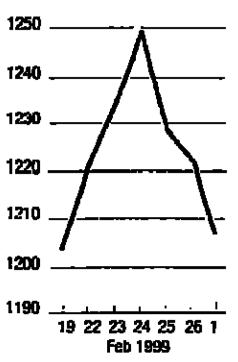
■ BIGGEST MOVERS

Friday	Close price	Day's change	Day's chge %
Ups			
VLSI Tech	15½	+4½	+44.2
Sligan	22⅛	+3⅜	+18.3
UldMoS	28⅞	+4⅜	+18.2
Lance	16½	+1⅞	+12.8
Downs			
AdvEngyInd	19¼	-7⅛	-27.7
FORESy	14½	-2⅞	-16.2
PRI Auto	30	-5¼	-14.9
AppMat	55⅛	-8½	-12.7

Dow Jones



FTSE Eurotop 300



JAPAN

	Mar 1	Feb 26	Feb 25	1998/99 High	1998/99 Low	Since compilation High	Since compilation Low
Nikkei 225	14221.75	14367.54	14470.45	17264.3	12880	38915.9	85.25

Day's high: 14488.88. Day's low: 14221.60.

■ TOKYO TRADING ACTIVITY

Volume : 420,180,000

■ ACTIVE STOCKS

Monday	Stocks traded	Close price	Day's change
NpStl	22,103,000	217	+9
SomMtl	13,072,000	121	+2
KawStl	8,907,000	185	
Sakura	8,558,000	258	
NissMt	5,885,000	485	+2
BTokM	5,850,000	1400	-30
Nomura	4,640,000	956	-20
FujiBk	3,911,000	460	-7
NEC	3,815,000	1163	-35
Shok.It	3,805,000	116	-3

■ BIGGEST MOVERS

Monday	Close price	Day's change	Day's chge %
Ups			
Kurita	1720	+155	+9.9
Kokusai	1205	+85	+7.6
PrimaMt	125	+8	+6.8
KyowaH	598	+37	+6.6
Downs			
Nikon	1515	-145	-8.7
TakEle	175	-13	-6.9
N'tendo	9480	-700	-6.9
MachPh	500	-34	-6.4

GERMANY

	Mar 1	Feb 26	Feb 25	1998/99 High	1998/99 Low	Since compilation High	Since compilation Low
DAX	4784.31	4911.81	4958.58	6171.43	3896.08	6171.43	931.18

Day's high: 4943.44. Day's low: 4784.31

■ FRANKFURT TRADING ACTIVITY

Volume : (u)

■ ACTIVE STOCKS

Monday	Stocks traded	Close price	Day's change
Lufthn	422,167	20	-0.05
Bayer	358,007	31.3	-0.65
DmlrCh	322,065	83.45	-1.7
Siemens	284,784	55.3	-2.2
Dt Tel	252,520	42.3	+0.5
Dt Bk	211,474	46.1	-1.45
VW	203,888	58.9	-2
BASF	203,712	30.75	-0.8
Cmmzbk	197,103	24.9	-0.7
Veba	184,722	46.7	-1.9

■ BIGGEST MOVERS

Monday	Close price	Day's change	Day's chge %
Ups			
Dt Bab	52	+3.8	+8.1
Puma	15	+1	+7.1
SchLub	117.5	+6.5	+5.8
Downs			
Thyssn	166	-18.5	-10.0
KruppF	124.5	-9.5	-7.1
B'sdorf	63	-4.5	-6.7
ErgoVr	114	-7.5	-6.2
BayHyV	48.5	-3.1	-6.0

FRANCE

	Mar 1	Feb 26	Feb 25	1998/99 High	1998/99 Low	Since compilation High	Since compilation Low
CAC 40	4032.05	4092.94	4152.56	4388.48	2882.54	4388.48	984.61

Day's high: 4111.91. Day's low: 4001.24.

■ PARIS TRADING ACTIVITY

Volume : 484,867,990

■ ACTIVE STOCKS

Monday	Stocks traded	Close price	Day's change
FrTele	1,878,884	83.2	-2.05
Usinor	1,594,846	10.89	-0.29
Axa	1,498,426	114.8	-4
Rnault	1,216,632	40	-2.6
BNP	1,010,632	70.9	-1.8
Schndr	956,760	51.7	-1.8
RhonPA	902,345	42	+0.25
STMicro	723,962	77.25	-3.9
TotalB	680,698	95.15	+0.15
ElfAqu	583,893	95.6	+0.6

■ BIGGEST MOVERS

Monday	Close price	Day's change	Day's chge %
Ups			
Pathe	251	+12	+5.0
NrdEst	27.4	+1.1	+4.2
SGE	40.9	+1.61	+4.1
Downs			
Rexel	40	-2.5	-5.9
Lgardr	33.16	-1.84	-5.3
Lfarge	82	-4.5	-5.2
RemyC	13.57	-0.73	-5.1
HavasAd	169	-9	-5.1

UK

	Mar 1	Feb 26	Feb 25	1998/99 High	1998/99 Low	Since compilation High	Since compilation Low
FTSE 100	6060.9	6175.1	6206.5	6387.6	4648.7	6387.6	986.9

Day's high: 6185.2. Day's low: 6032.7.

■ LONDON TRADING ACTIVITY

Volume : 916,000,000

■ ACTIVE STOCKS

Monday	Stocks traded	Close price	Day's change
LucasVarity	74,674,490	283½	
Tesco	28,204,010	168¾	-8¼
Trio	25,421,820	9¾	+2
Shell	17,088,980	334¾	-13¾
Signet	15,734,810	42½	+1¼
BP Amoco	13,261,340	862½	-30¾
GEC	12,725,570	516	+18
Scoot.com	12,462,430	30¼	+1
Mks&Spencer	11,886,270	411½	-8½
Sainsbury (J)	10,684,410	381½	+1

■ BIGGEST MOVERS

Monday	Close price	Day's change	Day's chge %
Ups			
Horace Small	78½	+28	+54.4
Telspec	115	+22½	+54.4
Wellscroft	55½	+10	+22
Howdn	30½	+4¾	+18.5
Downs			
Computerland	100½	-59½	-37.2
Geo Int Med	47	-9	-16.1
Ulster TV	210	-37½	-15.2
Torday&Crls	25½	-4½	-15

INDEX FUTURES

■ S&P 500	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	1236.60	1229.50	-6.00	1241.70	1226.50	133,467	351,832
Jun	1247.50	1240.00	-7.50	1250.50	1239.00	20,423	53,894
■ Nikkei 225	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	14450.0	14300.0	-100.0	14480.0	14270.0	19,078	169,459
Jun	14370.0	14180.0	-130.0	14380.0	14180.0	999	58,234

■ CAC-40 (200 x Index)	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Feb	-	4108.7	-	-	-	-	-
Mar	41114.5	4030.0	-78.7	41210.0	40005.0	56,590	338,115
■ DAX							
Mar	4946.0	4770.0	-138.5	4968.0	4738.0	62,074	233,379
Jun	4969.5	4795.0	-136.0	4969.5	4786.5	16,238	96,141

■ OMX	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Feb	733.00	735.75	-	-	-	-	-
Mar	731.00	713.00	-18.25	732.00	713.00	24,261	116,708
■ EUREX							
Mar	7102.0	6986.0	-90.0	7138.0	6968.0	22,723	139,095
Jun	7042.0	6926.0	-82.0	7046.0	6910.0	1,358	4,910

Open interest figures for previous day.

WORLD MARKETS AT A GLANCE

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THE NASDAQ-AMEX MARKET GROUP

4 pm close March 1

[illegible]

AMEX

4 pm close March 1

[illegible]

EASDAQ

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STOCK MARKETS

Equities under pressure as rate fears revive

WORLD OVERVIEW

Another burst of weakness in the US Treasury bond market kept the pressure on global equities yesterday, *writes Philip Coggan.*

A stronger-than-expected purchasing managers' index confirmed recent data indicating that the US economy is booming and revived fears that the US Federal Reserve might have to raise interest rates.

That knocked the Treasury bond down a point in early US trading and led to a weak start on Wall Street.

Valuation systems that compare bonds with equities had already made the latter look pricey thanks to recent rises in bond yields.

According to Joseph Abbott of IBES International, the information group, the S&P 500 index was 24.9 per cent overvalued last week. In the 19 years that IBES has been tracking the data, it has only found such an overvaluation twice before – in the two months before the crash of 1987.

Edwina Neal of Lehman Brothers, a house that follows the equity-bond relationship closely, said: "Global equities no longer offer attractive value relative to debt."

As a result, Lehman is moving underweight equities and increasing exposure to bonds in expectation of a stock market setback.

European stock markets took a late hit from Treasury bonds, but were already under pressure as European Central Bank leaders Wim Duisenberg and Christian Noyer seemed to dash hopes of a rate cut at Thursday's meeting.

Figures from FTSE International show that European bourses were four of the world's five worst performers, in dollar terms, in February as concern grew about economic weakness, particularly in Germany.

Economists at Salomon Smith Barney have cut their 1999 euro-zone gross domestic product growth forecast from 2.1 per cent to 1.8 per cent. The decline of the euro against the dollar has reduced returns for US currency-based investors.

Mexico was the best performer of the month, in dollar terms, gaining 9 per cent. Geoffrey Dennis, global emerging market equity strategist at Deutsche Bank, said: "Mexico is one of the few decent growth stories in emerging markets. It is getting a huge benefit from the strength of the US economy and the peso has held up well since the Brazilian devaluation.

"Mexico has done all the right things on the policy front and now they're getting some reward for it."

The hard-pressed Brazilian market, which fell 30 per cent in dollar terms in January, managed a modest 4.1 per cent rebound last month.

Survey shifts focus back to rate increases

AMERICAS

Another jump in long-term bond yields and nagging concerns about slowing sales of personal computers contributed to further declines in US share prices in early trading, *writes Richard Waters in New York.*

By early afternoon, however, the main indices had recovered some of their heavy losses. The Dow Jones Industrial Average stood at 9,283.22, off 23.36, while the Standard & Poor's 500 index was 9.46 lower at 1,228.87. The Nasdaq composite was trading at 2,273.17, a loss of 14.86.

An unexpectedly strong reading in the latest monthly survey from the NAPM, which tracks the views of purchasing managers and is often a good indicator of manufacturing activity, added to fears that the pendulum might be shifting back towards higher, rather than lower, interest rates.

That news helped drive long-term interest rates to their highest level since last summer.

Banks and companies involved in economically sensitive industries generally performed better on the latest sign of US economic strength. Among Dow component companies, Caterpillar, the maker of heavy construction equipment, rose $1⅞ or 4.1 per cent to $47 7/16, while Citigroup, the financial services group, climbed $60 11/16 or 3.5 per cent to $60 13/16.

Technology shares, which had already seen a heavy fall in February, reversing much of the rally of the month before, began March on a weak note. Compaq, which fell heavily on Friday, lost another 5.7 per cent, sliding $2 to $33¼ as more Wall Street firms moved to cut what had been very high expectations for further growth in PC sales.

Dell Computer, which had been the subject of a big decline before Compaq, was down $1 5/16 or 1.6 per cent at $78 11/16. Intel, which was also the subject of an earnings downgrade on Wall Street, fell $4 7/16 or 3.7 per cent to $115½.

Among technology companies in the Dow, International Business Machines fell $3¼ to $166¾, a loss of 1.9 per cent.

TORONTO was weak at midsession as interest rate concerns continued to depress sentiment. The TSE-300 composite index was 36.69 weaker by midday at 6,276.00.

Laidlaw was a casualty in morning trade, tumbling C$175 to C$9.85, as the transportation group said it would take a fiscal second-quarter charge relating to a tax settlement. It will also take a charge in the third quarter on the restructuring of its ambulance division.

Meantime, a wave of mergers hit the market.

The first came when Polo Ralph Lauren said it would buy Canada's fashionable clothing store chain Club Monaco for C$13 a share and assume the company's debt. Monaco put on C$1.65 to C$12.65.

Noma Industries eased 35 cents to C$9.05 as General Chemical Group of the US said it would buy the Toronto-based company for C$9.25 a share.

New bank appointment offers São Paulo cheer

SAO PAULO was 1.5 per cent higher at midsession as investors rejoiced in advance of Arminio Fraga's appointment as central bank president, due to be approved by the Senate tomorrow.

The Bovespa index was trading 128 higher to 9,039, also boosted by expectations that a new International Monetary Fund accord could be agreed shortly.

MEXICO CITY was weaker at midsession, mirroring losses on Wall Street. The IPC index dropped 14.72 to 4,246.08 in thin volume.

The peso was showing signs of strength, but traders said the rise was due to dealers unwinding long dollar positions taken last week.

CARACAS was trading in a narrow margin, with the IBC index up 11.16 or 0.3 per cent to 3,821.83. Oil prices remained low as it emerged Venezuela had failed to cut production to its Opec level.

Weak bonds hit Frankfurt

EUROPE

Early weakness for US bonds hit **FRANKFURT**, exacerbating a downward trend caused by adjustments for dividend payments.

The dollar pushed up to a best-ever level against the euro and Germany's purchasing managers' index for February rose. But US bonds were looking distinctly sour towards the close of trading in Europe and shares tumbled.

By the close of a session characterised by below average volumes, the Xetra Dax index was off 124.89 or 2.6 per cent at 4,779.07 having clawed back from a low of 4,739.65 in the final hour.

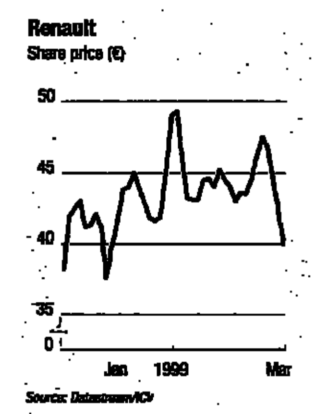
The FTSE Eurotop 300 index fell 14.71 or 1.20 per cent to 1,207.92 See Euro Prices page.

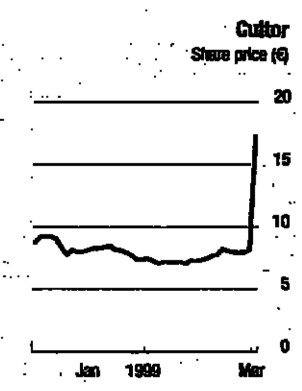
Thyssen shed €17.7 to €166.35 after going ex-dividend to the tune of €8.18 with sentiment partly depressed by last Friday's news of dull four-month sales and soft incoming orders.

HypoVereinsbank gave up €3.30 at €48.50 and Volkswagen shed €3.14 at €55.36. Firmer features included Deutsche Telekom which added 65 cents at €42.

PARIS enjoyed a brief spell in positive territory after investors thought its 1.4 per cent correction on Friday was exaggerated. But continued weakness on Wall Street and rising US bond yields proved them wrong, sending the CAC-40 60.89 or 1.5 per cent lower to 4,032.05.

Renault was €2.50 or 5.9 per cent off to €40 ahead of 1998 results, published after the market closed. Figures showed profits up 63 per cent but traders said worries about the sector at large drove the stock lower.





High-tech issues got a fresh battering, dragged down by weakness in their US peers. Cap Gemini lost €4.80 to €152.70 while STMicroelectronics shed €3.90 to €77.25.

Insurer Axa dropped €4 to €114.80 after Suez-Lyonnaise des Eaux set a €787m bond exchangeable for Axa shares.

1998 results ahead of expectations did little to prop up BNP, which jumped more than 2 per cent in early trading before paring its gains and ending €1.80 lower at €70.90.

Among the few to buck the declining trend, Canal Plus added €6.90 to €291.50 on continuing alliance talks with Britain's BSkyB.

AMSTERDAM fell 8.81 to 527.31 on the AEX index with steep falls in fairly modest volumes for ABN-Amro and Akzo Nobel providing most of the downside drive.

ABN shed 50 cents or 2.7 per cent at €18.05 in volume of 5.1m shares, among financials ING shed €1.35 at €49.65. Aegon lost €1.15 or 3.3 per cent at €33.40.

Among techs, Baan lost 30 cents at €8.40 while Philips softened 70 cents at €62.80.

HELSINKI closed 1.2 per cent lower, dragged down by market engine Nokia after Wall Street opened weaker. The Hex index finished 69.84 off at 5,974.15.

Cultor, the Finnish food group being taken over by Denmark's Danisco, was firmly in the limelight. The stock more than doubled, adding €9.05 to €17.35, close to Danisco's takeover offer of €18 per share.

At the other end of the spectrum, telephone operator Helsingin Puhelin slid €5.05 or 8.9 per cent to €51.65 on downbeat 1998 results.

ZURICH extended early losses as Wall Street opened weaker and the SMI index finished a day of low volume trade with a fall of 68.8 at 6,995.

Novartis remained at the centre of attention, registering a loss of SFr27 to SFr2,515 while Roche certificates slid SFr150 to SFr18,200.

Food and beverages group Nestlé ran into profit-taking after last week's stronger trend, losing SFr27 to SFr2,807.

In the same sector, Hero put on SFr16 to SFr770 in spite of reporting a slide in 1998 profits.

MADRID succumbed to the gloomy mood on Wall Street while mixed corporate results, on the last day of the reporting season, also took their toll.

The general index closed 12.37 or 1.4 per cent lower at 878.14. Fashion house Adolfo Dominguez performed worst, retreating €1.48 or 8.5 per cent to €15.85 after posting net attributable profits down 15.2 per cent in 1998.

The only Ibex-35 constituent to make gains was Telepizza, up a modest 1 cent to €7.46 after publishing strong 1998 results.

MILAN gave up early gains, although Olivetti was a strong performer as the market gave an enthusiastic response to the bourse regulator's approval of its bid for Telecom Italia.

Analysts took the view that the green light from Consob gave Olivetti a clear advantage over Telecom.

Olivetti edged up 5 cents to €2.85 while Telecom picked up 15 cents to €9.80 after a high of €9.88, just below the Olivetti offer price of €10 a share.

Telecom Italia Mobile, its mobile phone subsidiary, lost 20 cents to €5.96. Telecom has been considering a merger with Tim in an effort to thwart Olivetti's approach.

INA jumped 7 cents to €2.26, off a high of €2.30 on mounting speculation that the insurer could be the target of a takeover bid.

The Mibtel index closed with a loss of 190 at 23,809.

Written and edited by Michael Morgan, Jeffrey Brown, Paul Gregan and Bertrand Benoit

Golds rally boosts Jo'burg

SOUTH AFRICA

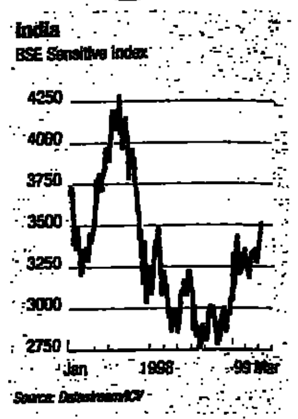
Johannesburg made modest gains, helped by a late rally in gold shares and bullish January M3 money supply figures which again raised hopes of a further easing in monetary policy.

Golds put on 8.9 to 856.4, with a late rally spurred by gains in AngloGold, 300 cents higher at R229, and Driefontein which put on 65 cents to R23.25.

The overall index closed 33.4 firmer at 5,948 while industrials added 41.3 to 6,809. Industrial group Johnnic jumped 190 cents to R31 on news that it planned to dispose of its SAB stake.

EMERGING MARKET FOCUS

Budget bounces Bombay higher



The euphoric response to India's weekend budget is likely to continue today following cuts to interest rates announced after the market closed yesterday.

Continued buying interest drove the benchmark BSE-30 index up 4 per cent to breach the 3,500 barrier for the first time this year. The index closed up 124 at 3,523.

This comes on top of a 165-point jump in the aftermath of the finance minister's speech on Saturday, taking the total rise since the budget to 9 per cent.

"It is a liquidity-driven rally, not a fundamental-driven rally," said Sanjeev Mohta, director at HSBC Securities.

India's stock markets are buoyed by hopes that new tax breaks for investment in equities, coupled with cuts in deposit rates, will trigger a big inflow of retail funds from the banking sector.

Analysts said the proportion of household savings invested in stocks is about 4 per cent, compared with 10 per cent in 1993. If investors raised equity investment from 4 to 5 per cent in response to the tax breaks it would inject about Rs25bn.

Meanwhile, a billion-dollar rescue package for India's biggest mutual fund, the troubled US-64 scheme, has reduced fears that the fund could be forced to sell massive amounts of shares to meet redemption pressures.

However, the budget also raised corporate taxes, with a new 10 per cent surcharge expected to knock about 2.5 per cent off next year's earnings. The macro-economic environment is likely to remain tough, with rises in personal taxes and no attempt to kick-start demand through public spending on infrastructure.

"It is going to be a play on liquidity against earnings," said Jyotivardhan Jaipuria, strategist at DSP Merrill Lynch. The corporate tax rise will be partly offset by the re-introduction of 100 per cent Modvat credit, which allows companies to offset the entire tax burden on inputs against tax payable on finished goods, and changes to excise duties.

"The impact in terms of corporate earnings is neutral to mildly positive," said Rukhshad Shroff, strategist at Jardine Fleming.

The earnings debate will become increasingly significant over the next few days as foreign institutional investors weigh up whether to join the rally. So far the rise has been led by local speculators. Foreign investors may be detered by signals that the government is keen to see a controlled depreciation in the rupee.

There are reasons to believe the rally is well-founded and may prove sustainable. Most of the rise simply recovers ground lost in the run-up to the budget, when the government faced a risky vote in parliament.

Moreover, the jump in the BSE-30 index represents selective buying interest in stocks that benefit from budget concessions or escape rumoured taxes. Yesterday's gains were concentrated in a group of big-capitalisation stocks in the housing, software, media, pharmaceutical and fast-moving consumer goods industries.

Krishna Guha

Fujitsu results weigh on Tokyo

ASIA PACIFIC

Lingering concerns about the unwinding of cross-shareholdings resulted in a moderate fall in **TOKYO**, *writes Michiyo Nakamoto.*

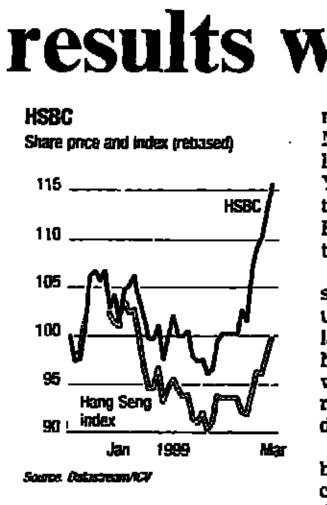
Sentiment was also bruised by news that Fujitsu, one of Japan's leading blue-chip high-tech manufacturers, would report its first non-consolidated net loss in six years.

The expected announcement by Fujitsu after the market's close that the group would post lower-than-expected profits of Y20bn, raised concerns about the results at other corporations.

Wall Street's fall on Friday added to the general lack of enthusiasm. The Nikkei 225 average fell 145.79 to close at 14,221.75, just a notch above the day's low of 14,221.60. The benchmark index hit a high of 14,468.86 in moderately subdued trading.

Losers outnumbered winners by 707 to 435 and 165 issues were unchanged. Volume declined to 420m shares from 469m on Friday.

The Topix index of all listed shares lost 12.22 to close at 1,107.81 while the Nikkei 300 closed 2.55 lower at 221.39.



In addition to the gloomy news about Fujitsu, the yen's strength against the dollar cast a shadow over exporters, which, as a result of the weaker dollar, are likely to suffer falling profits from overseas sales.

Fujitsu lost Y35 to Y1,445, while NEC, the integrated electronics manufacturer, declined Y35 to Y1,163. Sony fell Y260 to Y8,720.

Other disappointing corporate news included Mitsubishi Chemical, down Y13 or 4.5 per cent to Y277, after reports that it would revise down its earnings outlook.

The weaker dollar benefited steel and electricity companies that buy their resources from overseas. Nippon Steel was the volume leader and gained Y9 to Y217. Sumitomo Metal Industries rose Y2 to Y121. Tokyo Electric Power increased Y30 to Y2,425.

SYDNEY pushed ahead strongly as the losses racked up in the final sessions of last week sparked bargain-hunting. Brokers said there were also hopes that tomorrow's gross domestic product data would prove positive.

Telstra and News Corp both rose more than 3 per cent, climbing to A$8.50 and A$11.65 respectively. Among resources, Rio Tinto added 31.6 cents at A$20.45 but BHP lost 19 cents to A$11.90. The All Ordinaries index ended up 31.2 at 2,911.1.

WELLINGTON moved lower as a number of leading shares went ex-dividend, including NZ Telecom, which was heavily traded and closed off 37 cents at NZ$9.33. The 40 capital index finished down 32.84 at 2,166.04.

HONG KONG rallied, sending the Hang Seng index above 10,000 points for the first time since January 21, led by another strong performance by HSBC, property shares and red chips.

The blue-chip index rose 161.97 or 1.6 per cent to close at 10,020.46.

HSBC rose HK$5 or 2.3 per cent to HK$223, pushing the index up 65 points. Since announcing a 21 per cent earnings drop on February 22, along with plans to split shares and list them in New York, HSBC shares have risen 13.8 per cent.

Property stocks rose on improved sentiment following encouraging flat sales over the weekend by Henderson Land Development and Swire Properties. Henderson rose HK$1.30 to HK$35 and Swire Pacific A jumped HK$1.60 to HK$33.30.

KUALA LUMPUR was dragged almost 2 per cent lower by poor monetary data and car sales figures. The composite index shed 10.69 to 531.54 as falls were amplified by very thin trading.

Sell orders surged after the central bank said annual loans declined 2.5 per cent in January against a 1.5 per cent fall in December, suggesting the economy was struggling to pick up.

News that January car sales fell 20.1 per cent month-on-month added to the gloom while political uncertainty over forthcoming regional elections continued to build up.